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ABSTRACT

These hearings focus on various measures submitted by President Carter and Congress to reduce unemployment, including an extension of the Comprehensive Employment and Training Act (CETA), the Full Employment and Balanced Growth Act of 1977, and the President's economic stimulus proposals. Some of the primary testimony presented regarding the need to extend CETA and to implement the President's economic stimulus proposals are by Ray Marshall, Secretary of Labor and Ernest G. Green, Assistant Secretary of Labor for Employment and Training. Numerous letters, prepared statements, and supplementary materials relating to the proposed unemployment measures are included. (EM)

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THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

OF THE

COMMITTEE ON EDUCATION AND LABOR

HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS

FIRST SESSION

ON

H.R. 50

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AND

H.R. 2992

AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

HEARINGS HELD IN WASHINGTON, D.C., FEBRUARY 22, 24; MARCH 2, 16, 1977

VOLUME 2

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CARL D. PERKINS, *Chairman*

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THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

TUESDAY, FEBRUARY 22, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES,
COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:50 a.m., in room 2261, Rayburn House Office Building, Hon. Edward P. Beard presiding.

Members present: Representatives Beard, Myers, LeFante, Weiss, Corrada, Sarasin, and Jeffords.

Staff present: Susan D. Grayson, staff director; Nathaniel Semple, minority legislative associate; and Carole Schanzer, clerk.

Mr. WEISS [presiding.] Good morning.

The Subcommittee on Employment Opportunities is now called to order. If all of you will take your seats, we will begin.

Chairman Hawkins is not able to be here today and has asked Mr. Beard and myself to chair this hearing in his place.

This morning's hearing is a continuation of the comprehensive employment hearings which commenced on February 8. These hearings are focusing on various measures submitted by the President and the Congress to reduce unemployment. These measures include a proposed extension of the Comprehensive Employment and Training Act as well as consideration of the Full Employment and Balanced Growth Act of 1977.

Our first witness is the Honorable David Vann, mayor of the city of Birmingham, Ala., representing the National League of Cities. Congressman John Buchanan, a member of the Education and Labor Committee, will introduce Mayor Vann. We are certainly pleased to have the mayor with us this morning and look forward to learning the views of the League of Cities on the most effective means of reducing unemployment.

Congressman Buchanan.

Mr. BUCHANAN. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, it is my pleasure to present to you today Mayor David Vann of Birmingham, Ala. It is his city which I am privileged to represent in this Congress.

He is testifying on behalf of the National League of Cities.

David Vann is a native of Roanoke, Ala. He began his career of public service after attending the University of Alabama and graduating from its school of law, and graduating with a master of law degree from George Washington University.

As law clerk to another distinguished Alabamian, Supreme Court Justice Hugo Black, after this he went into the private practice of law in Birmingham and has, for many years, been a very distinguished attorney, civic leader and, in recent years, public official.

When the Federal Judiciary, began the process of overturning the evil system of segregation and white supremacy that had been legally sanctioned in States like our own, it was David Vann who led the city of Birmingham to an adoption of a new form of government.

When our three commissioners responded to the desegregation orders in the Congress by closing parks and threatening to close schools if such orders came for schools as well, David Vann began a movement which resulted in, by an act of the people, a massive act of the people, the replacement of that form of government with the mayor-council form of government which has led our city since to a new way of life, new achievements.

In 1970 we were named by Look magazine and the National Municipal League as an all-American city, partially for our achievements and progress in racial relations and opportunities for people.

Mayor Vann went on from his leadership as a private citizen. He has continued to be an active and progressive leader. I present him to you as a legitimate civil rights and civic leader and as a Christian gentleman, one of the most highly intelligent and capable civil servants it has been my privilege to know.

Mayor Vann.

Mr. VANN. Thank you.

Mr. WEISS. Without objection, your prepared statement will be printed in full in the record at this point.

[The prepared statement of Mayor David Vann follows:]

PREPARED STATEMENT OF HON. DAVID VANN, MAYOR OF BIRMINGHAM, ALA.

Mr. Chairman, members of the Subcommittee, I am David Vann, mayor of Birmingham, Ala.

I am here today to testify on behalf of the National League of Cities and the 15,000 cities it represents on the issue of employment. At our recent annual Conference, city officials substantially revised and adopted a policy statement on employment issues—full employment as well as specifics on the Comprehensive Employment and Training Act which I would like to submit for the record.

Very briefly, our policy statement recognizes the goal of full employment and job opportunities for all as the first priority of this nation. The Achievement of this objective can be accomplished only by developing a system of cohesive economic policies involving a partnership of the private sector and all three levels of government. To develop such a system we recommend:

1. The use of the President's Economic and Employment Reports as the the major economic policy plan of the Nation.
2. Adequately assess and link economic and fiscal policies of federal agencies to assure an appropriate assessment of their impact on level of employment.
3. More adequate assessment of the employment implications of the federal budget including greater input from representatives of local government.
4. Equalization of economic growth.
5. Evaluation of federal policies which deal with issues other than employment in terms of their affects on employment.

Most immediately we recommend "a re-alignment of federal expenditures which would target on areas of high unemployment and income inadequacy; and a re-examination of current federal regulatory and taxing policies that discriminate against inner cities and other areas of high unemployment."

We advocate local government involvement in national planning and local government responsibility for developing and implementing local full employment plans.

City officials regard CETA as an integral part of a cohesive strategy to attain full employment, including use of the CETA system as a tool for providing employment to persons receiving income support who are able to work.

This Committee is well aware of the national economic conditions which precluded a smooth start-up of this major employment program. However, despite the initial difficulties. CETA is a significant step in the direction of attaining full employment and should be re-enacted and strengthened by providing:

Forward funding in advance of the operating program year; greater decentralization and less regulation by DOL;

Larger role for local prime sponsors in setting local employment goals;

Greater local flexibility to target funds according to local needs;

Greater technical assistance to local governments to improve their capacity to predict local labor market trends to improve their capacity to provide meaningful job training;

Inclusion of additional resources to provide training and start-up employment opportunities to young people, including those who are reaching their mid- and late twenties without ever having held a job;

The pooling of monies from social insurance and income support program with CETA monies to provide increased training and employment for those who must accept appropriate and available work;

Requirements for strengthened inter-relationships with vocational education programs;

Greater flexibility for establishing linkages to the private sector; and

The development of accurate unemployment statistics to insure funding commensurate with actual unemployment conditions and realistic employment planning.

If I may, Mr. Chairman, I would like to address myself to two major areas of concern to local elected officials: public service employment and youth employment.

It appears that Congress and the Administration are about to double the existing public service jobs programs, with further increases anticipated in the next fiscal year. We applaud this initiative and commend you for the dispatch with which this program is moving ahead. We are, however, concerned.

Over the past two years, there has been much criticism of our effectiveness in operating the public service employment program. We stand accused of using a federal program designed to deal with the problems of the unemployed as a program to bail out the cities. That this impression has stood unchallenged so long means that we have failed to explain adequately what has been happening and why. In my own city, there have been no layoffs of regular city employees. However, Birmingham is not too different from other cities in facing problems of unprecedented high unemployment, and the resulting depression of local revenues and continued high crime statistics. We have been fortunate—if that is what one wishes to call it. Inflation assured continued moderate rises in sales and wage tax proceeds, and our business community accepted a 33⅓ percent increase in their business license taxes. To maintain Birmingham's traditional balanced annual budget, we've only had to impose a hiring freeze and leave vacant positions from which employees retire or for other reasons leave municipal service. However, the demand for the services provided by these former employees does not leave with them and we have moved some of our CETA hires into those positions.

In other cities, the fiscal crisis is far more severe; there have been lay-offs and cut-backs in essential services, such as police and fire protection and trash collection, the needs for which cannot be deferred until the economy improves. If using CETA funds to provide services which would not otherwise be provided by hiring individuals who would otherwise be unemployed, is "substitution" which many of our CETA prime sponsors are guilty. In our view, that is not substitution—it accomplishes the objective of the program by employing the unemployed to provide essential services to the community that would not otherwise be provided.

Such—in our view—unjustified criticism of the current program, does in all honesty create some apprehension about where we'll be a year from now in defending our operation of the new, more restrictive Title VI program. These new restrictions will slow the hiring processes as more time will be required to assure that the projects and participants meet all the legislative criteria—under the new voluminous administrative regulations from the Department of Labor interpreting and re-interpreting such restrictions in the tradition of our administrative processes. There is no question that it is easier and quicker to hire the unemployed under Title II than it is under the Title VI restrictions.

By the same token, forward funding substantially improves our ability to plan adequately. Prime sponsors are using this lead time and we appreciate this valuable Congressional initiative.

We do expect that some time soon, Congress will begin tackling the nation's very serious youth unemployment problems. In addition to the summer youth employment program, most cities have already established ongoing; year-round initiatives with their limited Title I allocations; to address the staggering unemployment problems of our young people.

In Birmingham, we have funded two initiatives exclusively for young persons. Our in-school program attempts to provide the participants with an opportunity to experience the world of work. We provide employment opportunities in the schools as secretarial aids and as teacher and athletic aids. Others are employed as library aid's. Our other program combines basic or remedial education plus work experience for high school drop-outs. At the end of the program, we have enjoyed marked success finding jobs in either the private or public sector through the exceptional efforts of our contractor on this project, our local OEO and CAP agency.

We also further future youth employment opportunities by including a substantial number of our youngsters in our OJT program. We plan to double youth enrollment in our program within the next year. Given more adequate resources, through the existing CETA structure, these types of local initiatives could easily be expanded to provide a greater variety of programs to assure future employability for disadvantaged youngsters. We urge your consideration of utilizing the CETA mechanism to provide additional resources to accomplish this essential objective. We share your concern about this staggering problem and are ready, willing and able to do our part to begin to resolve unemployment among our future generations.

Thank you for the opportunity to present our views.

STATEMENT OF HON. DAVID VANN, MAYOR OF THE CITY OF BIRMINGHAM, ALA., ON BEHALF OF THE NATIONAL LEAGUE OF CITIES

Mr. VANN. It is a pleasure to be here today as mayor of the city of Birmingham and to testify on behalf of the National League of Cities and the 15,000 American cities that belong to the league. I am also here as the chairman of the Birmingham Area Manpower Consortium, which, under CETA, serves approximately 20 percent of the population of the State of Alabama and represents the joint effort of the city of Birmingham, 33 other cities and the government of Jefferson County, Ala., in a very successful consortium.

At our recent annual conference of the National League of Cities, the city officials substantially revised and adopted a policy statement on employment issues. We adopted an overall statement on full employment as well as a specific statement on the Comprehensive Employment and Training Act as the policy of the National League, and I would like to submit that policy statement to your subcommittee for the record.

[The material referred to follows:]

EMPLOYMENT AND INCOME SECURITY; ADOPTED AT NATIONAL LEAGUE OF CITIES, CONGRESS OF CITIES, ANNUAL BUSINESS SESSION, DENVER, COLO., DECEMBER 1, 1976

FULL EMPLOYMENT—A NATIONAL GOAL

Full employment should be the goal of the federal, state, and local governments, and of the private sector. In this country, a person's place in the work force not only provides economic rewards but also status, dignity, and respect. The nation's economic and fiscal policies should be directed toward the achievement of full employment which will provide jobs for all those who are able to work. Such policies should contain economic incentives to encourage persons to seek work and should eliminate disincentives to a person for seeking work and should seek to eliminate programs which encourage individual dependency by failing to provide opportunities for employment. For those individuals and families who are aged or disabled, or for whom work is inappropriate or unavailable, the federal government should provide adequate levels of social insurance or income support.

EMPLOYMENT GOALS

The goal of full employment and job opportunities for all persons should be the first priority of the nation. Achieving a high level of employment would contribute to the de red quality of life of each of the residents of our cities. Equally important would be the positive effects of a full employment labor market in our effort to solve the major problems in our cities—deterioration of housing, rising crime and delinquency rates, disintegration of families, the inequality between races and sexes, poverty, and out-migration from the inner city, and the deficiency of resources. Increasing work opportunities would improve the urban environment and contribute to the revitalization of our nation's cities.

The achievement of such a goal will be realized through cohesive economic policies of our economic system—the partnership of private enterprise and government. To the degree that such a partnership cannot meet the goal of full employment, the federal government should create additional jobs. Those jobs should be created through utilization of existing employment and training systems at the state and local levels.

Achieving full employment and maintaining a balanced economy are not incompatible goals. Every policy of our federal government must be carefully analyzed to determine its effect on employment, in each sector of the economy and in each region of the country. If economic growth is to be balanced and our cities strengthened then greater attention must be directed toward the effects of the policies and expenditures of all federal agencies on employment and urban fiscal stability.

PROBLEMS OF UNEMPLOYMENT

The persistent and high rate of unemployment has deprived large numbers of persons in our nation from achieving the status, dignity, and economic rewards which result from employment. The same policies which have contributed to high rates of unemployment have resulted also in deterioration of city tax bases and, in addition, have placed severe fiscal and social pressures on our nation's cities. Some of the emergency measures introduced to counteract the effects of the policy of high unemployment have resulted in the distortion of the programs to which they were attached, for example, the enactment of the Unemployment Compensation extended and supplementary benefits, which partially converted the program from an insurance program to an income support program.

The problems of unemployment which must be addressed in revised and revitalized economic and fiscal policies include:

(*a*) The continued, high rate of unemployment which is not expected to decrease below 7.5 percent in 1976 and below 7.0 in 1977.

(*b*) The intolerably high rates of unemployment among minorities and the youth. The jobless rate for white workers in July, 1976 was 7.1 percent but the Black workers jobless rate was 13.6 percent, up 2.9 percent from June. The teenage Black unemployment rate rose to 14.1 percent in August, 1976; the overall rate for teenagers moved up from 18.1 to 19.7 percent in August, 1976.

(c) The misguided policy that high levels of unemployment are necessary to combat inflation.

(d) The lack of coordination of economic and fiscal planning among federal departments.

(e) The lack of overall strategy and cohesive approach which would consider the effects of federal policies on employment including special attention to effects on regions, on cities, and on special groups within the population.

(f) The lack of an overall review of regulatory policies of the federal agencies to determine their effects on public and private jobs creation activities.

(g) The changes in demand for certain job skills brought about by changes in technology in industry which has resulted in a decreased need for semiskilled workers.

POLICIES FOR ACTION

A. Broad national policies

Our nation cannot afford a prolonged period of economic stagnation with high levels of unemployment. Therefore, the NLC supports the development of an employment, social insurance, and income support system which would:

(1) Use the Economic Report of the President and the President's Employment Report as the major economic policy plan of the nation rather than administration public relations or discussion publications. The Economic Report should be a companion piece to the U.S. Budget and should detail the recommendations for the policy options to be included in the Budget, and for all other federal agencies and activities. In particular, the Economic Report should assess the effects on employment of the multiple policies of all federal agencies. Such recommendations, along with those developed through the new Congressional budget process, should be openly debated and the effects on the labor market clearly identified;

(2) Effectively link economic and fiscal planning for all federal agencies directed toward the goal of achieving full employment. Such a linkage would require the development of economic and fiscal policies which would direct the actions of all federal agencies and assure that the total impact on the level of employment will be assessed;

(3) Consider carefully the development and implications of the U.S. Budget on unemployment and the goal of full employment. This document, which represents perhaps the single most complete description of total national policy, is developed piecemeal and without adequate participation by representatives of local government or adequate consideration of its economic implications;

(4) Equalize to a greater degree the economic growth in the country. The impact of recent federal policies has contributed to a relatively poor growth performance in some areas which in turn has resulted in the deterioration of cities and rising levels of unemployment. Federal policies also have encouraged the relocation of jobs from central cities to suburban areas; and

(5) Evaluate federal policies in non-employment areas and correct those policies which have negatively affected employment in cities: for example, federal policies that have led to a movement of industries from older cities, such as the use of investment tax credits which affects the level of economic activity by providing incentives to faster growing industries and by discriminating against older, slower growing areas.

B. National policies for action directly affecting cities

Achieving full employment and a balanced economic growth include many factors. Anti-recession and job creation programs have many objectives; therefore, no single program can be expected to effectively achieve all of the needed results. A combination of programs and strategies is needed to increase job opportunities in cities and in the nation. The federal government should provide a variety of forms of financial assistance to local government and fiscal incentives to local business investment in order to achieve the most immediate stimulation of additional economic growth and reduction of the level of unemployment in our cities. These would include:

(1) A re-alignment of federal expenditures which would target on areas of high unemployment and income inadequacy; and

(2) A re-examination of current federal regulatory and taxing policies that discriminate against inner cities and other areas of high unemployment.

In any national full employment legislation there should be provisions for a local role in national planning and the development of local full employment and implementation plans. A consortium of the levels of government should participate in the development of the plans.

Any local full employment planning must involve the private sector. The elements of national economic and fiscal policy which affect local businesses must be supportive and compatible with job creation programs administered by local governments. The federal government through agencies which compile unemployment and economic statistics must improve the relevancy of data collected on local labor markets; and should provide complete, current and accurate labor market data through systems that are the most cost efficient, and in a timely manner as required by law. Local governments should have the authority and flexibility to conduct and coordinate economic development with full employment planning. This would include where not inconsistent with the national plan for full employment, the utilization of such measures as industrial revenue bonds, tax abatements, urban renewal and port authority powers, industrial parks, land banks, and direct short-term loans to businesses.

Federal housing policies should encourage neighborhood preservation and revitalization and should have companion programs to support the renewal of neighborhood commercial districts which can compete and be compatible with neighborhood shopping centers, thus providing central cities with a variety of employment opportunities.

Any national or local full employment plan must provide supplementary job opportunities for those unable to find employment in the private sector. Such programs, supported by federal funds, should be tied to levels of unemployment at both the national and local levels. These programs should be structured to meet the needs of the long-term unemployed, the disadvantaged, and those who are unemployed as a result of temporary economic downturns. Incentives should be built into the system to encourage those able to work, to continue to seek work, or remain at work, rather than seeking income support.

The mix of programs which provide training, job support, and employment opportunities for the underemployed should be determined and planned at the local level. Local governments should require maximum flexibility under such programs as:

Countercyclical anti-recessionary aid;
Public works projects;
Public service employment; and
Programs targeted at special groups such as youth.

C. Policies for action related to CETA

The Comprehensive Employment and Training Act (CETA) should be strengthened and renewed. This act was implemented initially at the beginning of the worst economic depression since World War II. In an effort to respond to rapidly escalating unemployment, the measure was altered and encumbered with ever changing directives and provisions by both the Department of Labor as well as the Congress. Initiated in a period of accelerating central city decline, accompanied by unprecedented layoffs in the public sector, the purposes and intent of the Act was changed and subsumed in desperate attempts to minimize unacceptable hardships at the local level and to respond as best as possible to the needs of all the unemployed in many local communities.

While national and local economic conditions precluded a smooth start-up for CETA, the program was and remains of vital importance to the nation's unemployed and underemployed. Following three years of operation, CETA has proven to be an effective instrument for responding to local unemployment conditions and is a substantial improvement over inflexible categorical grants. The concept of prime sponsorship has worked well and is a system which should be supported and built upon. As part of a strategy for achieving full employment, CETA should be re-enacted and strengthened by providing:

(1) Forward funding in advance of the operating program year;
(2) Greater decentralization and less regulation by DOL;
(3) Larger role for local prime sponsors in setting local employment goals;
(4) Greater local flexibility to target funds according to local needs;
(5) Greater technical assistance to local governments to improve their capacity to predict local labor market trends and to improve their capacity to provide meaningful job training;

(6) Inclusion of additional resources to provide training and start-up employment opportunities to young people who are reaching their mid- and late-twenties without ever having held a job;

(7) The pooling of monies from social insurance and income support programs with CETA monies to provide increased training and employment for those who must accept appropriate and available work;

(8) Requirements for strengthened inter-relationships with vocational education programs;

(9) Greater flexibility for establishing linkages to the private sector; and

(10) The development of accurate unemployment statistics to insure funding commensurate with actual unemployment conditions and realistic employment planning.

In addition, countercyclical and other employment-related programs should be required to coordinate planning with prime sponsors to assure greater coordination of programs geared to providing employment opportunities and to minimize duplication of administrative functions.

SOCIAL INSURANCE GOALS

Social insurance programs should be maintained for those persons who have had a close attachment to the labor market for an extended period of time. The purpose of these programs is the replacement of a portion of income which is no longer available because of retirement, disability, or temporary unemployment. Benefits authorized under the social insurance programs should be related to earnings and length of covered employment. Income support supplements should be available for those for whom benefits are inadequate and who have no other sources of income.

SOCIAL INSURANCE SYSTEM PROBLEMS

A. Social security

A major segment of the American population relies on the Social Security system as a base of income during retirement years or in the event of disability. More than 32 million people receive social security cash benefits totalling $6 billion per month. About 104 million Americans are covered by Social Security.

Confidence in the integrity of the Social Security system has been shaken by projections of short and long term deficits in the trust funds. These deficits are due in part to the situation in the past two years in which both inflation and high unemployment were occurring.

In addition, over the years the Social Security law has been amended on numerous occasions. The result has been a change in the basic concept and blurring of the purposes of the program from one which based benefits primarily on earnings and length of attachment to the labor market to one which included means tested features as well. Under one of the changes, the benefit schedule was weighted in favor of low-income workers by providing them with greater benefits relative to their earnings and contributions, than higher income workers. The current replacement ratio for single workers retiring at age 64 ranges between 62 percent for someone who earned $3,400 a year to 31 percent for someone who earned $14,000.

The inequity in the system is demonstrated in a number of other provisions of the program including:

(1) While all workers with a given wage pay the same social security tax while working, a retired worker with no dependents receives only his own benefit, while a retiree with an aged wife receives an additional 50 percent of his benefit, whether the wife has ever contributed to the system herself or not;

(2) When a married couple both contribute to the system, upon retirement they receive the same benefit as a married man with wife who did not contribute;

(3) Benefits are paid for dependent children of retired and deceased workers without the requirement for extra contributions to the system;

(4) Under present law a husband must prove dependency in order to qualify for the same benefit for himself and any dependents that a wife can get automatically;

(5) Benefits are payable to any worker with the bare minimum required quarters of coverage and regardless of how low his earnings were. That minimum payment has been consistently increased by Congress over the years;

(6) Disability claims have risen at a far greater rate than for other benefits. The payments for disabled persons are relatively higher because of the consideration of wives and dependents in determining the benefit level. The payments

from the trust funds for this group will exceed the income by over $4.3 billion this year.

(7) Elderly persons up to the age of 72 who become eligible for social security and who also work are penalized by a reduction in their check by 50¢ for every dollar of earnings over $2,760. The earnings limit increases according to inflation.

B. Unemployment insurance

The Unemployment Insurance program was enacted during the depression of the 1930's as part of the Social Security Act to provide workers with sufficient income to meet non-deferrable expenses during periods of temporary unemployment and to help stabilize the economy during periods of economic decline. During the intervening 40 years, the program has been altered through the enactment of temporary programs. These changes have distorted the original purposes of the program and have authorized payments far beyond periods of temporary unemployment. In addition, the fiscal soundness of the federal and state trust funds is threatened by the emphasis on the payment of extended benefits rather than on job creation.

POLICIES FOR ACTION

A. Social security

The original purpose of the Social Security system enacted in 1935, should be restored through legislative change. It should be returned to an insurance program financed by employer and employee contributions into a trust fund that would provide wage-related benefits to workers as a matter of right. It should be stressed that the program was not designed to provide the bulk of retirement income, but only a "floor of protection" which would be supplemented by the persons' private savings and pensions.

If other resources are not available then supplementary benefits should be available from an income support system.

When an income support system is in place, Social Security benefits should be directly related to contributions. Any person who has been employed and who retires should receive benefits determined on the basis of contributions, regardless of family status. There should be no penalty or reduction in benefits as a result of earnings. There should be no work requirement associated with the program.

B. Unemployment insurance

The unemployment insurance program should be returned to its original purpose of a partial wage replacement program for persons temporarily unemployed. Benefits should be paid only for the first 13 weeks of unemployment. Following that period, the individual's attachment to the previous employer should be assumed no longer to be strong. The individual, at the end of 13 weeks, should accept alternate employment and training which is appropriate and available, or, if neither is available, should qualify for income support with its associated work or training requirements. The reduction in the duration of time that an individual can receive unemployment insurance benefits is dependent upon the development of the integrated employment, social insurance, and income support system.

INCOME SUPPORT GOALS

All persons need a basic level of income to live a decent life. Our society has the ability and obligation to provide all citizens with the resources to meet basic needs. If that income is not available through employment or through social insurance programs, this should be accomplished through an income support program which guarantees to all segments of the population a basic level of purchasing power. The federal government is responsible for providing this income support. The federal government should assume responsibility for providing income support to meet basic needs. Public employment should be created and made available for those persons receiving cash assistance who are willing and able to work and who are unable to find work in the private sector. Persons who are able to work and for whom reasonable work is available, but who refuse to accept such work, should not receive income support so long as they refuse to accept such available employment.

INCOME SUPPORT SYSTEM PROBLEMS

The current income support system—including the aid to families with dependent children program (AFDC), the supplemental security income pro-

gram, food stamps, housing for low income individuals, and medicaid, is a series of individual programs, unrelated to each other and with needlessly complicated operating procedures.

The existing programs with rules differing state by state tend to produce inequities and serve to discriminate against certain classes of individuals and families.

Because of the complexities of the programs, the amount of assistance paid in error has increased and threatens to place unreasonable economic burdens on local governments.

While most of the programs require recipients to work, an adequate number of jobs do not exist and the effort becomes an expensive administrative burden.

The pyramiding benefits available to recipients of the various assistance programs may provide a disincentive to work because of loss of benefits. On the other hand, the amount of benefit available to assistance recipients, which are not available to others with substantially like incomes, represents a severe inequity.

POLICIES FOR ACTION

A simplified national income support program should be developed as part of an integrated employment and income security system. The federal government should finance, administer, and set standards for all income support programs which allow equity and comparability across each of the programs. All cash benefit programs should be included in a basic federal level of support. In order to prevent major disruption in the system and to provide a smoother administrative transition, such changes should be phased in over a period of time. State supplementation could be provided on an optional basis to compensate for regional differences in basic needs and for special needs.

Criteria for program eligibility and benefits should be simple, objective, and clearly stated to achieve equal treatment of those with comparable needs. The administrative structure should be designed to reduce the stigma of welfare.

Comparable needs should be met by a basic level of support provided on the basis of a family unit. Income and resources should be considered uniformly and equally regardless of the source; payments should not be provided on an individually-determined basis. Distinctions in means-tested programs that discriminate against intact families, childless couples, and single adults should be eliminated.

Primary reliance should be placed upon direct cash payments determined on an income adequacy measurement to meet the basic consumption needs of low income persons. The use of in-kind benefits such as food stamps and payments through third parties including housing assistance should be gradually phased out to achieve the maximum degree of equity among persons and families with similar income and circumstances.

Only a minimum of those programs which cannot be administered effectively at the federal level should be maintained outside the income support system.

Social services would be provided by states and localities to support the integrated employment system. Such services should be provided under a plan which involves local employment staff to assure that the necessary supportive services are available for those persons who are in training or in employment.

A realistic and simple method of considering income in the computation of federal benefits must be developed which allows equal treatment aming all low income individuals and families. A reasonable disregard of earned income above the basic payment level must be established to encourage recipients to work and to lessen the effects of the transition from public income support to total self-support. Such a system assumes that the various benefit programs are integrated in order that the transition from public income support to self-support is gradual and not discriminatory.

Those persons receiving income support who are able to work should accept appropriate and available work. The federal government has an obligation to provide employment opportunities which are meaningful and which take advantage of the employment skills of the individual. The jobs which should be socially useful should be created through the local CETA mechanisms. The work requirements of the income support program should not be used in a punitive fashion. Those persons who participate in a training or employment program would continue to receive income support payments. Any payments would be considered taxable income.

The uniform payments would be provided by the federal government with full financing. Any supplementary benefits would be financed by the states. No new federal system should be created; existing federal and state structures which can be linked effectively with CETA at the local level should be utilized. There should be appropriate involvement of cities according to the operational structure of the state.

Mr. VANN. Very briefly, our policy statement recognizes the goal of full employment and job opportunities for all as the first priority of this Nation. The achievement of this objective can be accomplished only by developing a system of cohesive economic policies involving a partnership of the private sector and the public sector and all three levels of Government. To develop such a system, we recommend the use of the President's Economic and Employment Reports as the major economic policy plan of the Nation.

As a companion to his budget, we recommend that we effectively link the economic and fiscal policies of Federal agencies to assure an appropriate assessment of the impact of those policies on the levels of employment and the national goal of full employment.

We call for more adequate assessment of the employment implications of the Federal budget including greater input from the representatives of local government.

We call for the equalization of economic growth and the utilization of Federal policies to encourage the location of jobs in central cities rather than relocation in suburban areas.

As an aside, in talking about the linkage of policies, to give you an example from my community, several years ago Blue Cross-Blue Shield built their new offices in the south side of Birmingham. Subsequently, they began the contract administration of the medicare program. They doubled the number of employees. They now say they need a new building and are proposing to move their offices 15 miles south of the city into a new town development taking almost 2,000 jobs out of the city of Birmingham. Those jobs are basically going there because of the pressure of the jobs created by the Federal medicare program.

In national policy on the location of jobs and Federal offices, preference is supposed to be given to poor cities. There are similar policies in contract jobs. It is a terrible blow to my city to have 2,000 jobs, $250,000 in taxes a year, removed from the city and taken out to a new development that is being promoted by the Equitable Life Insurance Co. and local promoters.

We have asked for an evaluation of Federal policies which deal with other issues—that is what I want to talk about—issues other than employment in terms of their effects on employment.

Most immediately, we recommend a realinement of Federal expenditures which would target on areas of high unemployment and income inadequacy; and a reexamination of current Federal regulatory and taxing policies that tend to discriminate against inner cities and other areas of high unemployment.

We advocate local government involvement in national planning and local government responsibility for developing and implementing local full employment plans.

City officials regard CETA as an integral part of a cohesive strategy to attain full employment, including use of the CETA system as a

tool for providing employment to persons receiving income support who are able to work.

The committee is well aware of the national economic conditions which precluded a smooth startup of this major employment program. However, despite the initial difficulties, CETA is a significant step in the direction of attaining full employment and should be reenacted and strengthened by providing:

Forward funding in advance of the operating program year; greater decentralization and less regulation by DOL;

Larger role for local prime sponsors in setting local employment goals;

Greater local flexibility to target funds according to local needs;

Greater technical assistance to local governments to improve their capacity to predict local labor market trends to improve their capacity to provide meaningful job training;

Inclusion of additional resources to provide training and start-up employment opportunities to young people, including those who are reaching their mid and late twenties without ever having held a job;

The pooling of moneys from social insurance and income support programs with CETA moneys to provide increased training and employment for those who must accept appropriate and available work;

Requirements for strengthened interrelationships with vocational education programs;

Greater flexibility for establishing linkages to the private sector; and

The development of accurate unemployment statistics to insure funding commensurate with actual unemployment conditions and realistic employment planning.

If I may, Mr. Chairman, I would like to address myself to two major areas of concern to local elected officials—public service employment and youth employment.

Over the past 2 years, there has been much criticism of our effectiveness in operating the public service employment program. We stand accused of using a Federal program designed to deal with the problems of the unemployed as a program to bail out the cities.

I would like to state clearly that we feel that that accusation is not properly founded. In Birmingham, for example we have had budget pressures, we have also been fortunate in that we have a great deal of home rule in the management of our local revenues. We have imposed on our local business community a one-third increase in their business license taxes to maintain a balanced budget.

We tried to meet all current costs with current revenues, and have succeeded in doing that because of the flexibility that we have.

Even with those pressures, we have had to reduce forces. I spent my first year as mayor systematically reducing the size of the work force. We did it, not by laying people off, but by attrition. We substantially reduced the number of employees. We have used CETA employees to supply some of the services that those jobs had been providing.

We feel that is the proper use of CETA; we have taken unemployed persons and used them under this program to provide services that

would not otherwise have been provided. We feel that that is a proper use of CETA funding. We have no apology for it.

Other cities have had more severe layoffs than we have had. In our opinion the countercyclical program has provided some funds to assist in sustaining existing levels of service. If you look at the program fairly, we feel that you will find that CETA's prime sponsors have used CETA funds to provide services with unemployed persons that would not otherwise be provided, but not as a substitution for local revenues. We think that is a vital point.

We do find in the field we have a little more difficulty in hiring under the title VI restrictions. To put a project in place you have to be able to employ not only all of the workers, but supervisors as well.

You frequently find that you are delayed in getting your project in place because you may have a hard time, for instance, finding supervisory personnel who come from families with incomes of less than $6,300 and who have been unemployed for 15 weeks. You may end up delaying the employment of people who should be employed while you are seeking supervision. We made up for this, in some cases, by not using the CETA funds for the supervision. We made up for it by buying our supplies and materials with other funds. For instance, we have taken community development funds and teamed them with CETA funds and used CETA to provide personnel and used the community development funds to provide the materials.

With respect to the second issue—youth employment—I would like to say that I do not think any of our programs have adequately met the problems today of youth unemployment. Youth unemployment is one that will continue to plague us and continue to be reflected in our crime rate in our American cities until we find some way to deal more effectively with this problem.

We have had, I think, good programs under CETA—our in-school program, our dropout program, and a substantial inclusion of youngsters in the OJT programs. These have not begun to meet the overall needs.

In conclusion, city officials urge that the Comprehensive Employment and Training Act be reenacted. It is a vital part of the program design that will ultimately enable this country to reach the goal of full employment.

Thank you.

Mr. BEARD [presiding]. Thank you. On behalf of the committee we certainly appreciate your testimony. I would like to say that I am substituting for Mr. Hawkins who could not be here today.

Certainly you are an excellent spokesman for the mayors with cities in a similar situation.

At this time I would like to recognize Mr. Sarasin who has another meeting to attend. Mr. Sarasin, you may proceed with any questions you may wish to ask.

Mr. SARASIN. Thank you, Mr. Chairman.

I will be running off to another conflicting meeting and I apologize. I would like to thank Congressman Buchanan for his very fine introduction of the mayor.

When you talk about the reenactment of CETA, Mayor—and there is no question that we will be doing that—there may be some small

changes in the manner in which it is handled. At least, I hope that we will. My own feeling is perhaps we got off the track with CETA, which was designed as an education and training mode to provide for those people who are unemployed or underemployed and when the high unemployment levels came along, it was used as a vehicle to work. In some sense, it is inconsistent.

If we could back up a little bit, the youth unemployment that you described, how do you handle your youth unemployment, or your youth program, in Birmingham?

Mr. VANN. We have a three-part program. First, let me say, when Congress provided advanced funding for this year's summer program so we can get up the program 3 or 4 months before school lets out, this is a major improvement. In the past, we had not known whether we would have a summer program usually until the middle of June.

I want to commend the Congress for giving us the advanced funding option, which enables us to do a much better job. We used the summer youth program—which is contracted through JCCO, which is our local CAP agency, and the school systems; we have a year-round contract with the CAP agency to deal with the underprivileged. In particular, they run an in-school program. We also have an out-of-school program for dropouts which includes remedial education and work experience. We include a lot of youngsters in our OJT program.

I have to say, with many youngsters, particularly those who are a little more mature, we feel the OJT is the best approach. For a youngster who has never held a job, vocational training in a classroom is not nearly as effective as vocational training where he can see, on a daily basis, what the meaning is of what he is learning. The thing comes together for him, we think, in a much more effective way. And we have had substantial success. We are particularly pleased with the performance of JCCO and OIC and the good record they have had in placing people in jobs that have gone through the vocational training programs operated by both those agencies.

Frankly, as I said before, the problem of youth unemployment is so massive that these programs really only scratch the surface.

I asked our manpower director last night, would it help if we raised the family income standard? He said, we have so many applicants from families under $5,500, our standard, that we cannot hire all of them.

I have to say as mayor, summer jobs are not just something for disadvantaged people. Urban America really needs jobs for all young people. The fact is, young people in America need to be busy. They need the experience of job training, whatever their background. Of course, the lower the income group the less help they have from their families and the more help that they need from this kind of program.

I think youth employment programs need to be substantially increased and leveraged. That is the one thing I like about the OJT approach. When you get the private sector involved in OJT providing jobs for young people, you have an ongoing program. If you pull back on your program, you have created a practice and policy.

I know as a student in college, I got a job with a bank one summer—I talked them into it. They ended up liking the program so much that every summer after they hired another law student. About half of the

trust department of that bank today has come out of that summer program that I was a part of as a student.

I know from this kind of program that you do get a continuing program in the private sector. That is one reason I would put great emphasis in OJT, although it cannot do the whole job.

Mr. SARASIN. With your summer youth program, are you bringing young people in at 14, 15, 16, 17, and 18?

Mr. VANN. Yes.

Mr. SARASIN. Paying them the minimum wage?

Mr. VANN. We think it is important, to pay them the minimum wage.

Mr. SARASIN. I would like your feelings on that.

Mr. VANN. We are doing a better job because of advanced planning. When we did not know until the middle of June whether we were going to employ people—we had several years like that—the summer program was hectic. When you have several months leadtime, you can deal with the kids while they are still in school and recruit them for jobs through the school system. You have the communication linkage that is so helpful. You can do a better job in getting them more meaningful work.

If you pay less than the minimum wage for the work, the impact on the young person is that it is not really a job. I think it is important that summer youth jobs be real jobs and not a handout of public moneys; and I think if you pay less than minimum wage, you are saying to young people, "this is less than a real job."

I think the job in which you place a youth should be meaningful work that is needed in the community, where they can see an output from what they do, and they should be paid for it at the minimum wage. That is my personal feeling.

Mr. SARASIN. We have had some of the mayors say that they felt if they could pay a stipend they could make those dollars go further, especially for the 14- and 15-year-olds.

Mr. VANN. Let me say that I can understand that. I think there is an argument to be made on that side. I would say, though, that I would prefer to try to take the jobs and work some leverage system so that I would take some of the summer program money and tell the company, we will pay one summer employee's wage if you will hire two more and get three people employed for the price of one through that kind of program rather than saying to the young people that the job is less than a real job.

I think there is a real danger in that, I really do.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. VANN. I may say, my manpower director feels the same way.

Mr. BEARD. Mr. Myers.

Mr. MYERS. I would like to ask one question. What is the unemployment rate in your city?

Mr. VANN. It is hard to keep up with. It is about 9.7 percent. I will be frank with you, I do not have the very latest figure. I think it is down a little within the city.

It has been over 10 percent.

Mr. MYERS. Thank you.

Mr. VANN. It is mainly young people.

Mr. BEARD. Mr. LeFante.

Mr. LEFANTE. Thank you, Mr. Chairman.

Mayor, how much coordination or cooperation has there been in the past between the manpower programs under CETA and other employment-related programs, for example, in housing and education?

Mr. VANN. Well, I believe that we have an exceptionally comprehensive record of cooperation. Our manpower consortium is supported by a planning council. The planning council includes representatives of educational institutions, training groups, employer groups, and labor unions as well as the employment service. All policies and proposals of the consortium are reviewed by this overall community planning council before they come before the consortium board for resolution.

This gives us a high degree of representative community involvement which we think pays off in good program design, and also pays off in a high level of cooperation from the private sector in helping with job location. We feel if you are going to train somebody for a job, he needs to go from that training to a job and to do this, you have to have a high degree of cooperation from the private sector.

We feel the makeup of our consortium and the way that it operates is helpful.

I might add, Mr. Sarasin said he thought we had misused CETA in putting public jobs on top of training. I happen to disagree to some extent with that.

If I may comment briefly in connection with your question, we believe that the CETA mechanism, the organizational structure of the prime sponsor of the area—for instance, our consortium involves 34 communities which frequently spend time scrapping at each other, arguing about one thing or the other—has been a concept that has tended to bring together all the local governments of the local area. It does provide a helpful mechanism for administering other employment-related issues.

If there were separate mechanisms for each program, for example, public jobs, summer youth jobs, et cetera, there'd be fragmentation. I think it is better to have a single coordinated mechanism at the local level rather than have many diverse ones.

This is really the strength of CETA. I did not get a change to correct that in my statement.

Mr. LEFANTE. In your opinion, Mayor, do you think there is enough cooperation from the private sector?

Mr. VANN. Yes. I could not be more pleased.

I would have to say that I hear various arguments and complaints from other mayors in other cities. I think our situation is a particularly good situation.

Let me say that one of the strongest drives to create the consortium was the project by the Birmingham Chamber of Commerce. When they saw this act coming down the road, they immediately started campaigning for the inclusion of private sector people in the planning process. That was a healthy thing in that people who become advocates of something, buy into it in a sound way.

I think the way our planning commission operates, the private sector buys into the programs and feels that the programs are just not De-

partment of Labor programs. I think they did under the old categorical system. The consortium somehow helps make them feel that this is a part of their program, a part of their needs, and they feel anytime a local industry needs more individuals with a particular skill, they can come to CETA and CETA will help create training programs to provide the jobs and the skills that are needed to help them expand their plant.

So they have bought in very well in our community. We have a magnificent degree of cooperation.

Mr. LEFANTE. I notice that accompanying your testimony was a report or a group of resolutions adopted by the National League of Cities Congress.

Mr. VANN. Yes. I am on the Employment and Income Committee.

Mr. LEFANTE. On page 54, about the third paragraph, the last sentence, the report suggests that local full employment planning must involve the private sector, with which I wholeheartedly agree.

The last sentence of that paragraph says, "this would include, where not inconsistent with the national plan for full employment, the utilization of such measures as industrial revenue bonds, tax abatements, urban renewal and port authority powers, industrial parks, land banks, and direct short-term loans to businesses."

If all of these suggestions or recommendations were to become reality, what would that do for an area like Birmingham, Ala.?

Mr. VANN. Well, I spoke in the first part of my testimony about the importance of the linkage of national policies to employment. I used the Blue Cross example, the one that comes to mind, as a bad example of the Federal policy affecting employment in my city.

Mr. LEFANTE. I do not think Blue Cross is in any need of short-term loans.

Mr. VANN. In fact, though, they are being helped to move my industrial development policies. The county is putting sewers in, water where there was not any water. Part of our highway funds are being used to build some new roads out to help open this development.

I do think that there has to be a linkage at the local level as well as a linkage at the Federal level. When I am looking at employment, I am not just looking at CETA. The Manpower Consortium is just not looking at CETA.

When we sit down in our consortium meetings and the mayor of Birmingham is there, the county commission is represented, 34 small cities are represented, my city council is represented, we are looking at the public works program in the city, which also creates jobs. We are looking at emergency public works kinds of things that Congress provides from time to time. They also provide jobs.

We are also looking at the letting of our city contracts within the metropolitan area, which helps create jobs in our metropolitan area.

Frankly, our experience with CETA funds, CETA jobs, has a ripple effect as it goes through the community. Each CETA job creates as many as 2 or 3, in some cases as many as 10 private sector jobs as a reflection of the buying power that ripples through the community from the CETA jobs.

All these things, whether we talk about economic development, or other Federal programs in the long run, I would agree—and I think

this committee would agree—that we would rather have full employment from private sector jobs than full employment from public sector jobs.

Every time I put on a public sector job, my council sits down and we demand that we have a back door as to how we are going to reduce that employment level if the economic conditions change. We would rather have people in the private sector, no question about it.

The biggest part of my budget, the biggest part of your Federal budget is salaries and wages in Government services.

Mr. LEFANTE. The Federal Government supplies money to create jobs. For example, you talk about an area within a county outside of your town of Birmingham that is now being developed. Is that right?

You mentioned sewers and more attractive features. Ordinarily, that land would lie dormant and would not even be considered to be used for industrial growth or expansion.

Mr. VANN. They are leaving empty buildings in the city.

Mr. LEFANTE. Was it Federal funds that developed that area in the county that made it so attractive to Blue Cross?

Mr. VANN. I would have to say that it was. Without the 80 percent sewer money to build——

Mr. LEFANTE. We are spending Federal dollars to go into areas that are substandard, making them standard, more attractive. In doing so, we encourage an industry such as Blue Cross to move out of a city to create unemployment within a community to which they owe their very existence, at least in that particular area.

I do not think Blue Cross or any other major industry could care less about what they are leaving behind. It is strictly a matter of dollars to them, and the barometer by which they can report to their stockholders.

Mr. VANN. Blue Cross does not have stockholders.

Mr. LEFANTE. My question is, are we, in theory and in practice, throwing good money after bad with this kind of procedure?

Mr. VANN. I can answer your question this way. Sometimes we are, sometimes we are not.

We have awakened to the fact that we have been using some Federal programs in a way that injures the employment in the city.

Of course, Congress represents a rather broad spectrum of interests in this country. Sometimes you do some inconsistent things and we do some inconsistent things at our level too, because of responses to inconsistent pressures.

I do feel the time has come to try to analyze the employment impact of a particular program.

Mr. LEFANTE. The emphasis is put on economic impact.

Mr. VANN. Employment is a part of economic impact.

Mr. LEFANTE. Economic and employment impacts should be part of the environmental impact. They should be given a priority. Too often, large industries have gone into a community, disrupted that community at the expense of the residents of that community. They have prospered and reached a certain level or a certain goal or a certain wealth.

All of a sudden there is no room for them to expand; their buildings are old fashioned and antiquated. They have to get out.

Why? They have to make more money. They cannot make any in Birmingham so they get out of Birmingham.

I am a firm believer in the life of the inner city. If the inner city dies, I am convinced, so the Nation will die. You will see a reverse in the future—I hope I live to see it—where suburban living is going to be a thing of the past and many of our suburban people are going to come back to our inner cities.

I am in complete agreement with you. I sympathize with your situation to a great extent.

In New Jersey, most of it is inner city. I understand and appreciate what you are going through. I think there should be some consideration given to an economic impact study.

The time may come when industry decides to move out of a given area to which they owe their very existence in a great sense. They have made it because of the cooperation and agreement of local government officials. You know as well as I do, many times there is pressure put on the executive officer of that municipality to look the other way to give people certain considerations.

I did not intend to make a speech. My question is, when considering the economic impact along with the environmental impact, should not the effect of a company's move on a city be taken into consideration, and maybe involve some penalties?

For example, Blue Cross does a lot of government work.

Mr. VANN. Half of their employees are indirect government employees.

Mr. LEFANTE. Maybe we should look at that sector and penalize them to some degree for what they would do to Birmingham, or any other city, if they pulled out.

Mr. VANN. I am not even sure if they have a square footage claim on that contract, if they would get more money.

Following up your line of statement, let me say, the fault does not lie in any one place. Our local government is not organized to handle these problems as well as it should. We have overlapping, the county government collects taxes within the city, then spends those moneys to build sewers in the unincorporated areas to lure people out with the money raised within the city itself.

There needs to be an equality within the local divisions of revenues. Right now, we are engaged in the process of trying to fund mass transit in my area, and the county is basically coming into an area of agreement that part of the taxes they collect within the city should be used for meeting the urban problems and mass transit is an urban problem.

That is a very difficult thing to achieve.

One of the things that I have been most impressed with CETA is that this is a program that has brought all of these conflicting governments in my area together around the table dealing with an areawide problem in an intelligent way. I have to say if you had a matching provision in there, then we would all be fussing about who is going to

put up the matching money. We would probably never get the program underway.

That is what happened to transit. Our transit has been delayed 5 to 10 years. Who is going to put up the matching money? Which government is going to pay what percent of what?

Mr. LEFANTE. Does the home rule concept prevail in consortiums?

Mr. VANN. CETA basically is a home rule concept. In our State we probably have a little more home rule than many other States. We have more than New York or New Jersey.

Mayor Gibson is from Enterprise, Ala., and we have talked to each other about city problems. I think I have more home rule in my city, in Alabama, than he does in your New Jersey cities.

Part of the problem is the State legislatures have tended to be anti-city, upstate New York, downstate Alabama, and the cities have taken a back seat in State policy.

Birmingham has been the goose that laid the golden eggs in Alabama for many years. They collect the taxes and spend it somewhere else—if they like eggs, they had better deal with the health of the goose.

Mr. LEFANTE. Thank you, Mr. Mayor.

Thank you, Mr. Chairman.

Mr. BEARD. Mr. Weiss.

Mr. WEISS. I would like to ask a statistical question. I do not recall the figures for unemployment that was given; was it 8 percent?

Mr. VANN. It has varied from 9.7 percent to—I think at the present time it is somewhere around 9.7 percent. Do not hold me to that.

We have a problem with the Bureau of Labor Statistics unemployment figures. Figures for the inner city are available but they publish only metropolitan area-wide statistics which average five rural counties in with the inner city's unemployment. The newspaper comes out and says unemployment is down.

When I get the inner city figures, I find that it may be up as far as I am concerned. The newspapers look at the metropolitan area while I look at the problems of the inner cities.

Mr. WEISS. Do you have independent figures for Birmingham itself?

Mr. VANN. We have to call and specifically ask for them. They are not published, but we can secure them. We secure them by census track now.

Mr. WEISS. We have had the experience recently of one of the people in the city government of New York tried to get the comparative grade for the loss of manufacturing jobs in major cities across the country and found, in fact, it was only for New York and Philadelphia that they had the city figures. For the rest of the country, the figures were for metropolitan areas.

They figured out that you have to add a factor of 50 percent to the metropolitan area to get a fairly accurate figure as to what the unemployment loss of manufacturing jobs was.

Mr. VANN. I have not looked at the loss of manufacturing jobs per city. United States Steel closed its plant down in Birmingham and opened up in an unincorporated area. The new furnace was built outside the city, and they closed down the one inside the city. It could not meet the EPA standards.

We have had problems.

Mr. WEISS. Do you have any figures as to what the youth unemployment is?

Mr. VANN. That is a statistic that I cannot give you for the city of Birmingham itself. I can tell you that my experience from the schools, the police and all of the other sources I have, I can tell you it is high, much higher than others.

I can tell you when we hire for the summer youth program with the $5,500 family of four income criteria, we get three and four times as many applicants as we have jobs available. That is an indication of the amount of unemployment.

Mr. WEISS. What does the 9.7 percent translate into as far as hard numbers are concerned?

Mr. VANN. Between 23,000 and 26,000. I will get you those numbers.

Mr. WEISS. How many CETA jobs do you have in Birmingham?

Mr. VANN. In the entire area, we have 160 title II, we have 420 title VI slots, and 100 in projects. We are talking about 900 slots at any one time.

The public service employment, in 1975 we had 230 positions. These are title I's, I believe. It went up to 449. Subcontractors, 527. We are talking about 1,000 slots.

As I say, we think we get four to five times the ripple effect, so that many jobs should be helping us to the extent of one-fifth of our problems.

Mr. WEISS. I sympathize with the problem you describe about the attrition of city positions and the necessity, of your own city and certainly other major cities across the country, New York is a prime example using CETA positions to do work that had been performed by city employees when, in fact, the city could afford them.

Would you have any idea as to how many of those 900 slots in fact are positions which are performed now for the city government which had been performed by city employees previously?

Mr. VANN. Let me get one or two things straight here.

Under title II, the city of Birmingham only has 90 slots. We are proposing 36 under the title VI projects. Under the title VI slots, most of those went to small cities or to nonprofits.

I would say that out of the 1,000 slots, Birmingham itself, the city of Birmingham, only uses about 10 percent of them. I want to make that clear.

We are talking about consortium figures. Of that hundred, I believe that you would find that we have very carefully put them on board in a way to attrition them out as rapidly as possible as economic conditions improve.

We started this program on the other side of the hill. We could move them down.

However, I would also like to add, in certain areas we hire under CETA and all promotions into city employment are recruited from CETA employees. About half become permanent employees. We carefully watch these budget slots because my main responsibility is to try to keep the budget of the city of Birmingham balanced in this day and time.

I would say of our 100 slots, at least 75 of them are on things that simply would not be done except for CETA. The 25, you might make some arguments about them. It gets kind of hard to analyze.

Mr. WEISS. Does the 9.7-percent unemployment rate, reflect people who, in fact, held positions?

Mr. VANN. These are people under the Department of Labor definition, which I assume are people who are drawing unemployment.

Mr. WEISS. Do you have any indication as to the percentage of people who are unemployed, who really have not held a job for so long for all practical purposes they are not reflected any place in those statistics?

Mr. VANN. I cannot answer that question. I know that they exist. I walked into one the other day I happen to know. I hope I got him a CETA job.

People give up. You have to recruit, in order to reach some of these people. They need to be reached.

Mr. WEISS. My last question, which is one of the points of discussion that we have had throughout these hearings, as a part of our national discussion, is how many jobs, new jobs ought to be created as a part of the overall economic stimulation program?

One side of the argument is stated, you have to go slowly because you cannot really create as many jobs as there are people out of work.

My question to you is, not just CETA overall, but as a part of both the CETA program and the overall, comprehensive act, Full Employment Labor and Balanced Growth Act which we are considering: How many additional jobs do you think you would have created, not just in the city, but through the consortium, which you could fill within, say, the next 6 months?

Mr. VANN. When we started analyzing the project proposals which were attractive to us on the one hand in that it did not give you permanent payroll slots, but they were a little less attractive in that they were harder for the projects to gather because it was hard to find some people for some projects who met all the qualifications. The more qualifications you have, the harder it is to meet all six or five, the more qualifications you make, the harder it is to find employment.

We were surprised, frankly, at how many jobs we could create and doing things that we had to stop doing. For example, for many years we had a program of low-cost paving in those areas in the city where people could not afford the assessments for curbs and gutters and permanent paving. We put in gravel, asphalt, to get people out of the mud.

The price of asphalt went up with the escalation of the price of petroleum, priced to three times what it had been. We could not afford the higher priced materials and we had to cut back.

We have taken community development funds and bought materials. We have taken CETA funds and put together crews and have all the equipment in operation. We have created a good number of jobs. They are doing a very useful thing that needed to be done that we had not been able to do because of economic presures.

We have a perennial drainage problem. Birmingham has had drainage problems from the day it was founded. It is a very flat city with mountains on both sides. Water rushes down the mountains on to a tabletop. It has almost an unending number of drainage problems that can be handled in a very constructive way.

We have put on what we call pipe crews that handle neighborhood drainage problems. We have found that we could go on and on and

on in doing the unfinished work that you have in an older city of the kinds of services that you had to shut down and pull back on rather consistently in the battle to keep budgets balanced over the past 10 years.

I do not think that we would have any trouble if we were called on to create 1,000 or 2,000 jobs. I would say that I would frankly prefer to do some of the job creation by public works projects when you contract them with private sector contractors. If you go too far, which is the creation of this kind of project within city supervised employment, you can end up causing unemployment in the private sector with the contractors.

President Ford said a lot about the public works program being leaf raking. Public service programs in my city are sanitary sewers, roads, culverts, school buildings, and on and on.

We have a menu of things that need to be done to get the city up to standard that we could work on for a long time.

I would say if we are going to go into the creation of jobs to meet your overall objective, I do not think you could do it all through CETA. Again, I think the CETA mechanism, the mechanism of the metropolitan consortium to analyze these things and provide some flexibility, the problems of Birmingham are not going to be the same as the problems in Newark, the problems in San Francisco, the problems in Seattle.

To have a mechanism that puts an element of flexibility in at the local level, to meet the local unemployment situation and tie these things in at the local level is a great advantage in making the program work well. The standards that were used in establishing the consortium that enabled us to be large enough so that we could properly staff our consortium with capable people, trained people, to help operate the policy considerations and deliver at the local level is a more flexible way than could be accomplished at the congressional level with the hope they would fit 1,000 different kinds of mechanisms at the local level.

Mr. WEISS. Thank you, Mr. Mayor.

Thank you, Mr. Chairman.

Mr. BEARD. I have a few questions.

What is your position as a prime sponsor in reaching the Vietnam-era veterans as far as CETA is concerned? Are you in favor of a preference to Vietnam-era veterans?

Mr. VANN. The Vietnam-era veteran problem is one of those that does vary considerably from city to city. It is not like World War II. There are not that many veterans and it is not spread in the same way.

The best way to handle it is the concept of the preference that we have used in civil service that the Vietnam veteran has a preference. It would be a mistake to set up separate programs where you could only hire Vietnam veterans.

That is another problem. You would have a slot go unfilled because you could not find a vet who met the other criteria.

The preference for Vietnam veterans is certainly justified and can work as a workable concept. We have frankly not had as many recently separated veterans. About 10 percent of people going through our title I training program have been veterans.

Mr. BEARD. What is your position, Mayor Vann, on the concept of the Humphrey-Hawkins full employment bill?

Mr. VANN. I would say that the League and the U.S. Conference of Mayors both feel that full employment should be the national goal. Neither organization has specifically endorsed a specific piece of legislation, but we stand ready with our staff and any assistance we can give in advising and furnishing data to help accomplish the goal.

I would assume that Congress would proceed to put together a full employment package. When you do get it together we will try to help you get it together, and we will support it.

Mr. BEARD. Thank you.

I would like at this time to recognize the minority legislative associate for the purpose of asking questions on behalf of Mr. Sarasin.

Mr. SEMPLE. Thank you, Mr. Chairman.

Mayor Vann, you mentioned that you would prefer to see these public service job moneys go through title II rather than title VI?

Mr. VANN. I really did not say that. If you interpreted it that way, I have said with the way the standards are set the title VI projects are somewhat difficult in the field.

On the other hand, I would like to say that the project concept, I think, is a valuable addition to the CETA program. Again, you need flexibility at the local level.

One of our concerns at this day and time is not to put permanent employees on the rolls. We prefer to create the permanent jobs in the private sector and the title I program is a private sector oriented program.

May I say that that is what Mr. Sarasin was talking about in relation between title I and public service employment. He was not talking about setting up two systems to handle both programs, only that the emphasis has strayed from job-training concept to public service employment.

I wanted to clarify that.

Mr. VANN. From a standpoint of clarification, I want to make clear that what I was trying to say was I think the project concept of title VI is valuable. I have a feeling if a part of the workers could be under the 50 percent 30-day rule and part of them under the 15 week——

Mr. SEMPLE. Is it the eligibility requirements that are the problem?

Mr. VANN. The eligibility requirements make it difficult sometimes. You have a project, you say this is a good project, then you have a difficult time finding the people to meet all these criteria.

You can find people to do the project. The more criteria you put on it, the harder it is to find a person.

You have to have a person. He has to be over 6 feet tall, a certain weight, blue eyes. Then if you say he also has to have one ear off, it gets more and more difficult to find people that meet all of the criteria.

Mr. SEMPLE. Under the old program, we found that only one in four were receiving welfare or unemployment insurance at the time they were hired. Part of the purpose of public service employment is to reduce transfer payments.

Are you saying in Birmingham now that you do not have a large enough universe of individuals who are either 15 weeks unemployed—

who have exhausted unemployment insurance, or who are on welfare, to fill the job slots?

Mr. VANN. I am not saying that. Job slots under the title II concept.

Mr. SEMPLE. I am talking about eligibility requirements.

Mr. VANN. I am saying to make the program work, you need some job slots. You also need the project program. When you put too many qualifications on the project program—we have more qualifications on the project program than we do the slots, although the slots are the more flexible jobs.

For example, one of our projects is to microfilm some records. You might have a harder time finding the people to make up the whole crew that meet all the criteria if you get too sophisticated a job.

Frankly, I think that we have found that some of our CETA employees, people who need this kind of help have masters' degrees. We have had Ph. D.'s who have been unemployed for over 15 weeks.

We need a variety of kinds of projects.

To be very frank about it, I do say that we have found in the field that sometimes you are slowed down somewhat in the projects. As a mayor, I have to say that I like the concept of projects, and it helps me with my budgetary problems, to protect my future budgetary problems while helping to meet a national problem.

The use of the CETA consortium to work on this kind of a problem makes excellent sense. It makes good sense. I certainly would not see another mechanism set up beside it.

Mr. SEMPLE. If we use title VI primarily as a prior administration recommended, you believe the cities will be able to gear up to the 600,000 or 725,000 level.

Mr. VANN. I think that we will; I think that we can. I simply say that there needs to be some way to put in a little flexibility. Maybe if you said 25 percent 30-day unemployed. For example, we find that sometimes you put a project together and you find plenty of workers but not many supervisors.

Supervisory personnel do not get laid off as often as workers do. You might have a hard time finding a person that would make a good foreman who came from a family with less than $6,500 income and had been unemployed for over 15 weeks. You may hold up the project when you have all the workers ready to go, but you cannot find that other person.

If we had a 10 percent or 20 percent at a somewhat lesser standard, I think we might even get more people at the tougher standard to work faster.

I think what I am saying makes sense. I would hope you think so.

Mr. SEMPLE. Thank you.

Mr. BEARD. I want to thank you on behalf of the committee, and certainly on behalf of Chairman Hawkins, for taking the time to come to Washington today to give us your input on these proposals.

Thank you.

Mr. VANN. I appreciate very much the opportunity to come. I would like to say I served and worked very hard on the subcommittee that worked on the proposals of income security and we included in our proposals for welfare reform, as that term is sometimes used. While that is in another committee, we recommended that the CETA mech-

anism be used as a device of bringing in the local participation in that major endeavor that the Congress will be considering over the next 24 months.

Our committee felt again that the CETA mechanism—not only the CETA program, we wanted to commend the program but we also wanted to commend the mechanism, because we think that it provides a very valuable, workable way of Federal and local cooperation in things that are related to employment, that we should not let go by the board.

Thank you very much.

Mr. BEARD. The next witness this morning is Dr. Raymond Saulnier, professor of economics at Barnard College.

STATEMENT OF DR. RAYMOND SAULNIER, BARNARD COLLEGE, COLUMBIA UNIVERSITY, NEW YORK CITY

Mr. SAULNIER. Mr. Chairman, my name is Raymond J. Saulnier. I am from New York City, where I reside at 21 Claremont Avenue, on the West Side of the city.

I am professor of economics emeritus at Barnard College, Columbia University, where I have been a teacher of economics, there in Columbia University generally, from 1934 to 1973, when I retired from active teaching.

I have had occasion over the years to do a considerable amount of financial research. I served in the U.S. Government from 1956 to January 1961 as Chairman of President Eisenhower's Council of Economic Advisors.

I am here this morning, Mr. Chairman, at the invitation of the committee, and I have a short statement that I will read. It is only a few pages, and perhaps at the conclusion there may be questions you will want to raise, and I will do my best to respond to them.

I appreciate this opportunity to appear before your committee for what I understand is to be a discussion of the proposed Full Employment and Balanced Growth Act of 1977, but the invitation did not come to me until Thursday afternoon of last week, which left insufficient time to prepare as full a statement as I would prefer to have in hand.

Moreover, although the letter extending me an invitation to participate stated that testimony would focus on questions it transmitted, no questions were transmitted, doubtless by oversight.

I should add that I received a list of suggested questions a few minutes ago from staff.

Accordingly, I have only a short statement, directed to the provisions of H.R. 50 in its revised form, but you are perhaps familiar with my reactions to the bill from an article I wrote recently for Indiana University's Business Horizons, and which was entered into the Congressional Record by Senator Goldwater.

Mr. BEARD. Without objection, that article as well as Chairman Hawkins rebuttal will be entered in the record at this point.

[The information follows:]

[From the Congressional Record, Feb. 10, 1977]

A CRITIQUE OF THE HUMPHREY-HAWKINS BILL

Mr. GOLDWATER. We have a heard a lot about the so-called Humphrey-Hawkins bill over the last several Congresses, and we have also heard President

Carter indicate his approval of this for the solution of some of our economic problems. I have never in my life as a businessman or a Senator felt that this kind of an approach would accomplish anything but add to the problems they are seeking to solve. Dr. Raymond Saulnier of Barnard College of Columbia University, has put together a critique of this bill in about as succinct a way I have seen, and I have attached this critique, appearing in *Business Horizons*, so that my colleagues may have a better understanding of why I have to oppose this type of legislation.

A CRITIQUE OF THE HUMPHREY-HAWKINS BILL

(By Raymond J. Saulnier)

To their credit, those responsible for preparing successive drafts of the Humphrey-Hawkins bill are not impervious to criticism. But what they have not yet seen is that a bill based from the beginning on fundamentally wrong premises and inspired by faulty philosophy of economic policy making cannot be made into a good bill by modifying or adding a few provisions. To cite the primary failures: an essentially inflationary bill is not corrected by adding a provision saying that inflation will not be allowed to accelerate—indeed, it would makes matters worse; it is not meaningful to say that there is no intention to extend government intervention in business when the logic of the bill points to deeper involvement. In short, the bill's faults remain as they were.

First, its approach to unemployment reduction is still to put people in public jobs at market rates of pay, but with nothing done to promote private, self-supporting employment. No less than earlier versions, the present draft would almost certainly increase the number of persons to be assisted, exert immense inflationary pressure on the economy and in the end yield no real answer to the problem it seeks to solve.

Second, the determination of its authors to launch the federal government into comprehensive national economic planning remains undiminished. And since there is no change in what the bill proposes to spend, and no change in its insistence on ruling out monetary restraint, the strictures introduced in the latest version against allowing inflation to accelerate are a virtual guarantee that the planning would involve early recourse to direct controls.

Third, it is still true that enactment of the bill would preempt the opportunity to attack structural unemployment constructively.

DETERRENT TO PRIVATE JOBS

Undoubtedly, the bill's draftsmen would concede no part of the above, and against the first of the complaints would probably argue, through without merit, that doing something to create private self-supporting employment is not the business of this particular bill. But it is the business of Congress and the executive branch, and if it is not done—if there is no private job to which a person aided under S. 50 can eventually transfer—the S. 50 approach will inevitably fail.

The availability of private jobs depends on market demand, sufficient capital to equip and support workers, and a readiness to put the necessary capital at risk. Outlays under the bill would increase market demand, ultimately in some multiple of their amount, but experience has shown that federal spending is an awkward, hard to manage and typically procyclical way of increasing demand, and cannot be carried out in volume without unwanted structural effects on the economy.

At the same time, the bill would do nothing to correct policies of government, principally those governing taxes and industrial regulation, that are obstacles to the accumulation and investment of capital. In addition, its central planning provisions, which hold out what is virtually a promise of increased intervention in business by government, would surely reduce the willingness to put funds at risk. The effect of the bill, in other words, would be to deter creation of the private, self-supporting jobs that are essential to its success.

The compensation provisions have been modified to call for pay to assisted individuals equal only to what is paid for similar work by the same employer, rather than by the market generally. Nevertheless, it is predictable that the provisions would amplify the problem the bill is designed to solve by drawing larger numbers into the labor force and causing many persons employed privately to seek publicly supported jobs. Thus, its effect would be not to eliminate unemployment but to lodge it in a variety of federal or federally assisted work projects.

As indicated, the bill's latest version shows noticeably more concern than previous ones over the inflation it might create, but there is a certain emptiness in this. Its money-spending features, on which its inflation impact would depend, remain unchanged. It is still uncertain how fully and on what timetable its direct job-supplying provisions would be carried out, but they are sure to attract enormous demand and ultimately to require immense outlays. There were 5.3 million persons age twenty and over counted as unemployed in October 1976, with the unemployment rate at 6.06 percent. The bill would require reduction of this rate to 3 percent in less than four years. Let us assume the size of the unemployed segment of the labor force remains unchanged and that it costs $18,000 to put one person to work for one year (net of what would be obviated in welfare and unemployment insurance expenditures but inclusive of overhead and the cost of necessary nonlabor resources). Under these circumstances, the startup cost, so to speak, would be close to $48 billion, and continuing annual costs could be half that amount.

In addition, the bill still authorizes programs only indirectly related to job provision, a fact that could add enormously to its total cost. Among others are programs to stockpile food and other critical materials to meet emergencies and "maintain price stability [and] adequate farm income" and grants for the "stabilization and needed growth of state and local budgets." New York City has given a fair demonstration recently of what the latter could cost, and we have had all the experience we need with what it takes to assure "adequate" farm income.

In short, if the bill's programs are actually to be implemented, as we must assume, its potential cost is simply "out of sight." And, incidentally, they could never be accommodated within overall budget spending limitations such as Congress has incorporated in recent resolutions on the budget.

Inflationism is implicit also in two concepts apparently basic to the thinking of the bill's authors—"full purchasing power" and the "full employment budget." The former is a revival of economic thinking of the twenties and thirties, calling for increases in income payments and thus in aggregate demand to the point where full employment is achieved, regardless of price increases. The latter is a more sophisticated fallacy of later years, maintaining that budget deficits incurred short of full employment have no inflationary or other negative effect, regardless of size, so long as they derive from expenditures and tax policies that produce balance at full employment.

Experience here and elsewhere in the world has shown both concepts to be dangerously wrong. Any thought that the monetary authorities would be free to exercise restraint to check the inflationary consequences of policies based on them can be put aside as in no way contemplated by the draftsmen of this bill. It is made quite clear that in pursuing full employment via federal spending, which is still the bill's method, no interference from the Federal Reserve authorities will be tolerated.

THE PROBLEM OF CONTROLS

Next among the bill's major faults is the potentially deadly effect it would have on our market oriented enterprise system through the quantitative goal-setting procedure to which it is committed and the direct controls system this would almost certainly engender. There is an old rule in politics that it is unwise to put too much in writing, least of all in numbers, but in S. 50's proposed world everything would be in numbers. The central number would be the annual goal of unemployment reduction, from which all others would devolve. And it would be the business of policy, as the saying goes, to make these numbers come true.

It may have been unwitting, but there was a certain flexibility in earlier versions in that an upward pressure on prices of increases in federal spending, as the authorities sought to achieve their predetermined numerical goals, could be reflected in a higher inflation rate. If the present draft is to be interpreted literally, this flexibility has been eliminated; there are provisions in it that would prohibit increases in inflation over whatever rate was prevailing when the bill was enacted.

Considering what would be spent under the bill and the limitations it would place on the exercise of monetary restraint, the logic of this new requirement is that the President would have to implement fairly early the anti-inflation program he is directed to have ready in the wings. I would interpret the

"administrative and legislative actions to promote reasonable price stability" called for in the President's program as a virtual promise of early recourse to direct wage, salary, profit, dividend and price controls. And it is a safe guess that this time, controls would include arrangements for government allocation of credit and capital in a system of regulated interest rates.

In short, the logic of the bill and the "comprehensive planning framework" it calls for, with "automatic triggers" phasing programs in and out, points directly to deeper and deeper intervention by government in business. However engaging this may be to social engineers, or to those who see the future as a collaboration between technocrats in government and in business, we know from experience that it is bad economics; what we would be destined to learn from new experience is that it is also bad political science. The syndicalism it implies for social structure and political action is simply not consistent with the operation of democratic institutions, including the institution of free collective bargaining.

A CONSTRUCTIVE APPROACH

My final complaint against Humphrey-Hawkins—that its enactment would preempt the opportunity to deal constructively with unemployment—implies that there is a better approach, and of course there is, though it is impossible to describe more than its major elements in a paragraph. First of all, it must be built on a foundation of noninflationary fiscal and monetary policies designed to promote sustainable growth, the features of which can be spelled out adequately enough. There is, of course, a prominent place in it for public service jobs, but not as a virtually exclusive reliance; what is done must be coordinated side-by-side with measures to promote private jobs and to facilitate the transfer of assisted persons to them.

To this end, reforms are needed in federal, state and local laws that deter capital accumulation and investment, a difficult but surely not impossible task. Rationalization is long overdue of federal and state laws and regulations that set minimum pay scales at levels that for many persons are actually a block to employment.

And the same is apparently true of aspects of unemployment insurance and welfare delivery systems. A thorough overhaul and improvement are needed, and have been for years, of existing systems of vocational training, guidance and placement. Finally, there may be a place in a better program for tax abatements aimed at promoting private jobs of specified characteristics, though only under conditions that would prevent their abuse.

Considering how basic the bill's faults are, the reasonable course for Congress is to abandon it as a false start and direct the President to construct an alternative. The new administration is obviously in a favorable stance for seeking such an opportunity, perhaps choosing to proceed, if Congress approves, with the aid of a presidential commission.

Structural unemployment is sufficiently serious and the problems it presents are sufficiently urgent that unless an alternative and constructive program is formulated soon, the field will be preempted by the enactment of something in the nature of S. 50. This would be more than just a mistake; it could well be an irreversible mistake.

SUMMARY OF REVISED HUMPHREY-HAWKINS BILL

A revised version of the Humphrey-Hawkins bill was introduced into Congress on September 17, 1976 (Congressional Record, same date) with the following major provisions.

(1) The act would:

Make job opportunities at fair pay a right of all Americans sixteen and over.

Specify that jobs provided under the act results in a "net increase in employment through work that would not otherwise be done" and that wages paid be not less than received for equal work from the same employer, and in no case less than the minimum wage.

Recognize inflation as a national problem

Abjure government control of production, employment or allocation of resources, except as otherwise authorized

Give priority in expanding jobs to conventional private employment first, federally assisted private employment second, conventional public employment

third and, as a last resort, provide jobs from reservoirs of public and private nonprofit employment projects.

(2) Projects from the reservoir of public works would:

Not be initiated sooner than two years after enactment

Not involve work to which Bacon-Davis applies, nor draw workers from private employment

Provide jobs mainly in the "lower ranges of skills and pay."

(3) Under the act, the President would be required to:

Set annual numerical goals for employment, production and purchasing power

Send Congress each year a Full Employment and Balanced Growth Plan (hereafter, Plan) designed to—

Achieve the annual numerical goals.

Be consistent with a longer-term goal (specified in the act) of reducing unemployment to 3% in not more than four years for all Americans twenty and over who are able and desiring work.

Prevent inflation from rising above its rate at time of enactment and ultimately achieve reasonable price stability.

Propose to Congress a comprehensive countercyclical program (relating to periods of high unemployment but to be pursued "regardless of the stage of the business cycle") designed to close the gap between employment achieved by aggregate monetary and fiscal policy and the employment goals established under the act, including public service jobs, accelerated public works, countercyclical grants for "stabilization and needed growth" of state and local budgets, skill training, levels and duration of unemployment insurance, community development.

Develop a "comprehensive regional and structural employment proposal" to reduce underutilization of resources in depressed areas and in groups of the labor force, including legislation for an "institutional means" to encourage investment in depressed areas and inner cities and "provide an alternative source of capital funds for local and state governments to finance public facilities".

Develop a proposal to integrate income maintenance with the employment proposals of the act.

Devise and transmit to Congress an anti-inflation program, including a comprehensive information system to monitor and analyze inflation trends, monetary and fiscal policies "geared to full employment", ways to increase supply in tight markets, stockpiles, voluntary labor/management arrangements to increase productivity, stronger antitrust laws and enforcement, recommendations for "administrative and legislative actions to promote reasonable price stability, if situations develop that seriously threaten national price stability."

(4) The act would establish a Full Employment Office in the Department of Labor to assist the Secretary of Labor in administering the last-resort employment program, and a Division of Full employment and Balanced Growth in the Congressional Budget Office to assist the Joint Economic Committee and Congress in their review of the President's Plans.

(5) The Joint Economic Committee would review the Plan and prepare a statement for congressional committees on the budget, indicating acceptance, disapproval, or modification of the Plan, or giving an alternative to it, to be incorporated in a concurrent resolution which, upon adoption, would serve as a guide to legislation relevant to "goals, priorities, policies and programs" recommended in the Plan.

(6) Federal expenditure and tax policies set forth in the President's Economic Report and Budget would be expected to be consistent with the Plan, as would monetary policies proposed annually to Congress in an independent statement by the Federal Reserve Board. Should the President find that the Federal Reserve's proposed policies are inconsistent with the Plan, he is directed to recommend actions to the Board and to Congress to insure conformity.

[From the Congressional Record, Feb. 17, 1977]

ANSWERING SAULNIER CRITICISM OF THE FULL EMPLOYMENT BILL

(Hon. Augustus F. Hawkins, of California, in the House of Representatives)

Mr. HAWKINS. Mr. Speaker, in the Congressional Record of February 10, Senator Goldwater inserted a critique of the Humphrey-Hawkins bill by Dr.

Raymond J. Saulnier, which also appeared in Business Horizons. Dr. Saulnier served as Chairman of the Council of Economic Advisers during the second term of the Eisenhower administration, and is now at Barnard College of Columbia University. I have no complaint that Dr. Saulnier's economic philosophy and views of national economic policy differ from mine, and will not discuss that matter. Instead, I limit my comments to the gross errors of fact, hard to explain, in Dr. Saulnier's treatment of the Humphrey-Hawkins bill.

First, Dr. Saulnier states that the bill's "approach to unemployment reduction is still to put people in public jobs at market rate of pay, but with nothing done to promote private, self-supporting employment." Entirely to the contrary, the bill concentrates first and foremost upon the expansion of private employment, which it designates as the top priority, and details many approaches toward that end. The bill specifically provides that last-resort public service jobs shall not be undertaken until 2 years after enactment, and then only if the President transmits a finding to the Congress that all the other provisions under the bill are not reducing unemployment in accord with the target of reducing it to 4 per cent within 4 years of enactment. The bill contains many other limitations upon public service employment. The many materials issued in connection with the bill have made it clear that the public service employment at its peak would probably be less than 1 million of the 9 million additional jobs needed within 4 years of enactment. Nor does the bill provide that the public service jobs be at market rates of pay. To the contrary, it provides only that people working on these jobs, which they cannot obtain if they refuse to accept or voluntarily leave private jobs, shall be paid not less than the minimum wage, and not less than the wage paid by the same employer to those doing the same type of work.

Second, Dr. Saulnier states that it is—

"The determination of its [the bill's] authors to launch the federal government into comprehensive national economic planning. . . . And since there is no change in what the bill proposes to spend, and no change in its insistence on ruling out monetary restraint, the strictures introduced in the latest version against allowing inflation to accelerate are a virtual guarantee that the planning would involve early recourse to direct controls."

The above statement by Dr. Saulnier is categorically erroneous. The bill is aimed solely toward improved planning by the Federal Government of those policies and programs which the Government has been undertaking and will continue to undertake in any event. The bill expressly prohibits any planning of the private economy, such as setting goals for private production or employment in specific sectors or allocation of private production. The bill does not propose any levels of Federal spending nor any degree of monetary restraint or expansion, but instead leaves this to be worked out by the President, the Congress, and the Federal Reserve year by year. The bill neither calls for nor contemplates the direct controls. It does set up a more comprehensive group of other specific policies to deal with inflation than have been in any previous legislation except in times of large-scale war.

Third, Dr. Saulnier says that "it is still true that enactment of the bill would preempt the opportunity to attack structural unemployment constructively," and that its proponents would not concede this. We gladly claim, as one of the strong features of the bill that, more than previous effort, it contains a wide range of programs to deal with structural problems through use of microeconomic measures to supplement macroeconomic measures.

Fourth, Dr. Saulnier states that—

"The bill would do nothing to correct policies of government, principally those governing taxes and industrial regulation, that are obstacles to the accumulation and investment of capital."

Entirely to the contrary, by promoting full markets for products, the bill removes the main obstacle to adequate investment of capital. The bill contemplates that, under its full employment and balanced growth plan, tax and other measures to promote adequate capital investment would be developed year by year, to the extent necessary, on a parity with measures directed toward other sectors. The bill specifically calls for periodic review of Government regulations, with the purpose of getting rid of unnecessary or hurtful regulation, and modifying necessary regulation to the extent found desirable.

Fifth, Dr. Saulnier states that the start-up cost of the bill would be $48 billion imposed upon the Government in the first year, and half that amount in each succeeding year. This is a wild exaggeration, based upon the errors described

above in Dr. Saulnier's analysis of the bill, with a lot of imagination thrown in for good measure. Prospective costs under the legislation, bearing no resemblance to Dr. Saulnier's figures, are discussed fully in the new pamphlet referred to below, and indeed have been discussed in earlier available documents.

Sixth, Dr. Saulnier's contention that operations under the bill would make the direct controls inevitable is based upon an incorrect portrayal of every phase of the bill that Dr. Saulnier discusses.

In the same issue of the Congressional Record, immediately following Dr. Saulnier's critique, there appears a summary of the revised Humphrey-Hawkins bill which in itself demonstrates the incorrectness of the major points made by Dr. Saulnier.

For those interested in a more complete discussion of the Humphrey-Hawkins bill, and a more comprehensive refutation of what Dr. Saulnier has had to say, I call attention to the new pamphlet issued in January 1977 on the Humphrey-Hawkins bill, this being a discussion of the issues by Senator Humphrey and me. Any Member of the House or the Senate or any concerned staff member may obtain a copy or an additional copy of this pamphlet by contacting my office or Senator Humphrey's office, respectively. Those not in the Congress who desire the pamphlet will be informed as to how it may be obtained if they contact my office.

Mr. SAULNIER. Since writing the Indiana University article I have, following your suggestion, read the pamphlet entitled "The Humphrey-Hawkins Bill, the Full Employment and Balanced Growth Act of 1977."

I have five principal criticisms to the bill.

First, it would involve immense, and what I expect would be, congressionally unacceptable increases in Federal spending. Perhaps this committee has made estimates of what the bill would cost, but I have seen none, and I have myself been unable to reach more than a rough estimate of the startup cost of its employment provisions, putting this at $48 billion.

I should add that I have just seen a clipping from the Congressional Record, of February 17, "Remarks by Mr. Hawkins" in which he responds to the Indiana University article and takes issue with my estimate of $48 billion.

I want to say, sir, that if there is a better number, a number that can be justified, I will withdraw the $48 billion, but until I see that number, I have to work with the results of my own arithmetic.

The problem is that the bill contemplates a list of open ended spending programs that would elicit such enormous demands for funding that even if only partly carried out, the Federal budget—already nearly $70 billion in the red—would be irretrievably busted.

I have in mind, besides what the bill would propose as immediate aid for unemployed persons through public service employment, what it contemplates in programs for stabilizing State and municipal budgets, stabilizing farm income, stockpiling commodities for emergencies, expanding public works, and aiding the development of depressed regions and the rehabilitation of inner cities.

There are expenditures here that could not possibly be funded under any limits I can conceive being proposed by the Congressional Budget Office, or passed by the Congress. In short, the bill is on a direct collision course with the Congressional Budget Office.

Second, it would be impossible to increase Federal deficit spending as the bill contemplates without creating immense inflationary pressures, and the bill's formula for dealing with this unhappy result by the imposition of price ceilings would only make matters worse.

The most far-reaching revision that was made in writing the current version of H.R. 50 was in attempting to allay fears that the spending it proposed would be inflationary by providing that prices would not be allowed to rise faster than they were when the bill was enacted.

In other words, inflation would be dealt with under H.R. 50 by imposing an across-the-board system of escalated price ceilings.

If the bill does not mean that, I would like to have what the bill does mean explained.

Since the bill would inevitably and greatly increase inflationary pressures, the effect of price ceilings would be to drive inflation underground, where it would do even more damage than if allowed to be expressed in the prices people pay, which is enough damage.

I am appalled that the experience we have had in this country and elsewhere in the world with this totally misguided way of trying to cope with inflation should be considered for enactment in Federal legislation.

What there is here is a formula for the virtually instant emergence of a system of direct controls. And no one should make the mistake of believing that the controls would be limited to prices and that costs would be allowed to increase as the pressures of inflation dictated.

Costs would have to be controlled, too, which means wage controls and an end to free collective bargaining. Thus, there would be a second collision, a collision with organized labor.

One would not judge this from reading the list of labor organizations sponsoring H.R. 50, but the prospect of collision with the American labor movement is there, all the same.

Third, the bill could not be carried out without a third collision, a collision with the Federal Reserve Board.

It is inconceivable that the spending programs contemplated in H.R. 50 could be carried out without putting the Federal Reserve authorities in a position of having to monetize increases in the Federal debt far greater than would be consistent with the containment of inflation, and in the end they would have no choice but to refuse to do this.

When they refused, interest rates would rise sharply and, if I read the pamphlet's commentary on H.R. 50 correctly—referring especially to pages 45 and 46—the result would be to have the Federal Reserve directed by the President and if not by the President by the Congress to get into line.

If the Federal Reserve chose to get into line we would have inflation, open or suppressed; if they chose not to get into line there would be a collision. I would forecast a collision.

Fourth, the bill would launch a system of numerical goal-setting that would so greatly increase intervention by the Federal Government into the economy that the viability of our enterprise system would be irretrievably impaired.

I have read those passages of the pamphlet that attempt to allay fears that the centralized Federal economic planning contemplated in the bill would not interfere with planning done by individual businesses, but I am totally unconvinced. And what makes the matter doubly distressing is that, by not only making Government more interventionist in its relations with private business, the numerical goal-

setting exercises that the bill proposed would introduce inflexibilities into the policymaking process that would make economic policy less rather than more effective.

Let me finish by giving you my conclusions on how the bill should be handled from this point on.

First, I must repeat what I said in my Indiana University article, that the best course is to abandon H.R. 50 and start over again.

If abandonment goes too far, at least a considerable amount of deletion is called for. I would certainly delete all sections of the bill calling for a new system of numerical goal setting as being not essential to the bill's central purposes. I would delete those sections of the bill directed to programs such as stabilizing State and local government budgets, farm incomes, commodity supplies, et cetera, as not properly the subject of this legislation.

And I would eliminate those sections of the bill that call for, by implication if not explicitly, a system of escalated price ceilings.

Second, with this pruning completed, I propose that you concentrate on specific and selective programs designed to cope directly with structural unemployment. We are already spending such enormous amounts to this end—$7.2 billion on training, employment, and labor services in fiscal 1977—that most of what needs to be done must be to improve the administration of programs already provided for.

The remainder of what needs to be done is to give encouragement to measures designed to increase private investment and private self-supporting employment. The major functional deficiency of H.R. 50 is that it would do nothing to help create private, self-supporting employment. But unless such employment is increased, the effect of H.R. 50 would be to lodge people more or less permanently in make-work public jobs. I am sure that this is not the result the committee wants.

I would be glad to respond to questions.

Mr. BEARD. Dr. Saulnier this is a little before my time——

Mr. SAULNIER. Are you talking about the thirties?

Mr. BEARD. Yes.

I know in Rhode Island there were high schools built which are still standing, as well as many bridges which were constructed and are still standing. There were sewer projects put in. I believe all of these were very useful projects. These projects were built under the WPA and other various organizations under President Roosevelt's program of trying to put people back to work.

We have had, in my 2 years of Congress—it is my second term in Congress—what we have had under the previous administrations and that is high unemployment, even higher than in the Depression. We had 16 percent unemployment in Rhode Island.

Do you not think that the concept of private industry and public works programs such as I mentioned to you before which are still standing in Rhode Island today, monuments of those working people of another day, would be realistic?

Mr. SAULNIER. Mr. Chairman, I am certainly not here this morning to make a case against public works. We have and always have had, and always should have, a large public works program, a program of building public facilities of all kinds, without which the country simply could not operate efficiently or in any way agreeably.

However, I would point out about public works as a way of stimulating the economy that while there was a considerable amount of that activity in the thirties, there was a good deal of unemployment left after it was all over.

You will see, if you examine the numbers, that the unemployment rate in 1938–39 as we were going into World War II was a double-digit rate, a very high rate, 19 percent.

While one can support, as I do, public works, we must bear in mind that it is not in itself a sufficient and total solution to the problems of employment.

The second point I would make about it is that I have no objection to Federal expenditure for public works, no objection to any type of Federal expenditure that can be justified in terms of benefits consistent with those costs, provided they will be covered ultimately by Federal revenues, so that we do not build enormous deficits which produce the inflation which we all suffer.

I am for the public works programs, but when people propose them they must have in mind the need to finance them in a noninflationary manner.

Mr. BEARD. You indicated some concern in your testimony, Doctor, about how labor would react to such a proposal. Yet it is my understanding in dealing with labor leaders that they support the concept of this particular bill.

Mr. SAULNIER. The concept of the Full Employment Act?

Mr. BEARD. Yes.

Mr. SAULNIER. I just received this pamphlet the other day. It has in its appendix a list of supporting organizations and they are, in the main, labor organizations.

But I think that that, if I may say so, is a romance that would not last very long.

Mr. BEARD. Maybe that is putting the cart before the horse.

Mr. SAULNIER. It would not last very long. It would not last very long because if the bill were implemented to carry out the programs that it would authorize it would shortly lead to direct controls, which organized labor does not want, at least not over wages. It is no answer to what I am saying to say that the bill would not be implemented and this would not be inflationary. I have to assume when I read a bill that authorizes a program to stabilize farm income that they mean is that they want to stabilize farm income.

I can tell you, if you do that, not only will it not stabilize farm income, but it will cost billions and billions of dollars.

So you have such programs authorized. They have an inflationary effect. Now, the pamphet says we will take care of that, because we have introduced into the bill a provision that says that prices are not to rise faster than they were when the bill was enacted.

This does not say price ceilings, but if it does not mean price ceilings, what does it mean? If you have price ceilings, it would be a very short time before you would have to have some kind of program to control the increase of cost. That means the increase of labor costs, among other costs.

It is at that point that the romance would end.

We have an example of that in this morning's paper. Here, the White House has proposed, as I understand it—and I am only a reader

of the newspaper—that there should be a system of voluntary pre-ratification of increases in prices and wages.

What happens? Mr. Meany is in Florida at the labor convention and he announces in language that no one can misunderstand that the AFL–CIO will have nothing to do with it. They do not want any part of a system of voluntary wage restraint, period.

That is an example, sir, of what I would expect would emerge very soon after such a bill as H.R. 50 were implemented.

Mr. BEARD. Thank you.

Mr. Weiss.

Mr. WEISS. Dr. Saulnier, first of all, you and I have never met. Let me welcome you as a constituent.

Mr. SAULNIER. Thank you. I am pleased to be here, Mr. Weiss, before your committee.

Mr. WEISS. Mr. Hawkins, I am sure, would have wanted to have been here to be able to hear your testimony and to put some of the questions to you directly.

I can by proxy, so to speak, ask at least one of the questions.

Mr. SAULNIER. Yes?

Mr. WEISS. In response to your article which has been placed in the record, he made a statement that was also inserted in the record on February 17, last Thursday: let me just read the relevant excerpt in response to your comment and draw a countercomment from you, if I may.

Mr. SAULNIER. Yes.

Mr. WEISS. He says:

> First, Dr. Saulnier states that the bill's approach to unemployment reduction is still to put people in public service jobs at market rate of pay with nothing done to promote private, self-supporting employment.

He then says:

> Entirely to the contrary. The bill concentrates, first and foremost, upon the expansion of private employment, which it designates as a top priority, and details many approaches toward that end.
>
> The bill specifically provides that last resort public service jobs shall not be undertaken until 2 years after enactment and then only if the President transmits a finding to the Congress that all the other provisions under the bill are not reducing unemployment in accordance with the target of reducing it to 4 percent within 4 years of enactment.

Then he says:

> The bill contains many other limitations upon public service employment.

That is an important response of his. In listening to your testimony and reading your statement was entered into the record you would get the impression that this is first and foremost a public service employment bill which indeed, according to the author of the bill—and if you read the legislation itself—it is not. It is a last resort public service employment bill.

The first concept is to stimulate the private sector to provide for the creation of private sector jobs.

Mr. SAULNIER. Well, I really do not understand this at all. It is a public service employment bill. If you call it a last resort——

Mr. WEISS. You do concede that the provision in the bill—if you do not, then I think we ought to show you this section of it, in the

public service aspect of it, does not come into play until, 2 years have elapsed, and then only upon the President's recommendation to Congress having determined that the other provisions have not succeeded in bringing down the unemployment level.

Do you agree that that is in the bill?

Mr. SAULNIER. That is my understanding of the bill, Mr. Weiss, exactly, and I am amazed at it, I am just absolutely amazed at it.

I think, as a matter of fact, if such a bill were passed, my guess is that it would have a very bad reception by the public. See what it says.

We are not, in this legislation, going to do anything specifically to promote private employment. The bill does nothing to that end.

But we are going to sit here for 2 years waiting to see whether the private sector of the economy does the job. Then at the end of 2 years, we will do something about it by way of public service employment—call it last resort, if you will.

Frankly, I think that this is the worst of all possible worlds.

Mr. WEISS. You are switching the argument. Now your complaint is that in fact it does not do enough quickly enough. Are you saying that?

Mr. SAULNIER. I have, at no time, said that I was opposed to actions taken by the Federal Government to assist in the solution of structural unemployment problems. I have supported that while I was in Government. When I was out of Government I have urged it on my friends who were in Government, and I am here to support it today.

I am not an expert on CETA or whatever that particular piece of legislation is, but from what I have heard about it I think it has merit, and I am for it.

I can see that there are problems of administration of that type of legislation and, as I have said in my testimony, I would like to see an accent on the improvement of the administration of these programs. That is not what I am complaining about.

I am complaining about a bill that not only undertakes to do something for the structurally unemployed but would undertake to do a whole long list of other things at a cost that simply could not be encompassed within the Federal budget under any conception of possibility.

Mr. WEISS. I will refer you to the bill. You know that the bill spells out the order of priorities for the expansion of conventional and private jobs for maintaining the ratio between private jobs and public service positions. It talks about the expansion of private employment requiring Federal assistance. Again, that is the first order of priority.

I guess basically we have a difference in value judgments on what the consequences of this kind of approach may be. I ask you why you think—and I assume you do think that it is appropriate—to set as a goal a numerical goal, a balanced budget but you think it is inappropriate to set as a numerical goal full employment, at whatever figure you set that full employment level.

Mr. SAULNIER. A goal of a balanced budget is one thing. A goal of reducing the unemployment rate is another.

Mr. WEISS. They are both numerical goals, are they not?

Mr. SAULNIER. In a certain sense, yes. The budget, yes. After all, a balance is a balance. If you are talking about a balance, nobody can be

in any way misled by what you mean. You mean revenues equal outlays, period.

As for a goal of unemployment reduction, we have very considerable dispute as to what the unemployment number really is. We have dispute as to what constitutes full employment.

I have just been reading for review the last economic report of the President, and it is a good document, professionally a very well executed document, and in it you will find that Mr. Greenspan and his colleagues have raised the number of what constitutes full employment from 4 to 4.9 percent. So we have disputes about what constitutes full employment.

Mr. WEISS. What do you think would constitute full employment?

Mr. SAULNIER. I do not know. I do not know what would constitute full employment, sir.

Mr. WEISS. What would you consider to be an acceptable level of unemployment?

Mr. SAULNIER. Zero.

Mr. BEARD. That is not realistic.

Mr. WEISS. Would you think that in fact steps ought to be undertaken, policy steps at the executive and legislative levels to try to work toward that zero level?

Mr. SAULNIER. Of course, absolutely; no question about it.

I spent years in the U.S. Government trying to achieve just exactly that. Now it is another thing to say that by December 31 of this year, or by some other date, I am going to have the unemployment rate down to whatever the number is, and I am going to get it there, as the saying goes, come hell or high water.

Now this, I think, is just not the way to do it. You set that goal up——

Mr. WEISS. Would you think that the President's goal, then, of saying about the time his first administration is over he will have a balanced budget come hell or high water is also wrong?

Mr. SAULNIER. I would prefer it if he would say, I will strive for a balanced budget and take the actions necessary to reach that.

Mr. WEISS. Would you have the same suggestion, or qualifier, to take the steps to achieve it at that end in striving to achieve your goal of zero unemployment.

Mr. SAULNIER. Exactly.

Mr. WEISS. Does not, then, H.R. 50 attempt to do exactly that by the stimulation of the private sector of the economy?

Mr. SAULNIER. If that is all H.R. 50 is talking about, that would be all right with me, but as I read H.R. 50 and its predecessor, there is a whole harness of goals here, not just the unemployment goal. There are goals of full production, even a goal of full purchasing power, whatever that might mean. We have goals within goals, all numerical, and policy would be required to make all these numbers come true.

I submit, sir, that this is a wrong way to conceive of economic policy or attempt to implement it. It is impractical and would have highly objectionable results.

Mr. WEISS. We have a difference of opinion.

Let me ask you about the figure that you cited, the $48 billion cost figure.

Mr. SAULNIER. Yes.

Mr. WEISS. It is my understanding on the basis of the information that I have been given that the Congressional Budget Office estimates that the cost of H.R. 50 would be somewhere between $12 and $15 billion and not $48 billion.

Have you seen that figure?

Mr. SAULNIER. Let me tell you how I reached my number. Mind you, Mr. Weiss, my number may not be right, but I will just tell you how I did it.

I took the number of persons unemployed that would be eligible for assistance under this bill by virtue of age and unemployment status and I calculated how many of those persons would have to be assisted if their unemployment rate were to be reduced to what was at one time 3 percent in the bill but I believe is now 4 percent.

Now that gave me a number of persons to be assisted, the number of persons currently unemployed who would have to be into employment in order to reach the stated goal.

Mr. WEISS. There is a differentiation or a variation between your estimate and that figure and the CBO's figure.

You start off with 7 million, 8 million——

Mr. SAULNIER. 6.6 million. The numbers are laid out in the Indiana University article.

Mr. WEISS. CBO's estimate is that by the time that you have reached the stage of public service employment as a last resort that you would be talking about perhaps 1 million rather than 7 to 8 million.

Mr. SAULNIER. I have simply taken the number of unemployed at the last employment census, you see, and said there are a certain number of persons there who would be eligible for assistance, and have multiplied that number by $18,000.

Mr. WEISS. Where did you get that figure?

Mr. SAULNIER. Where did I get it? Well, it is not pulled out of the blue. After all, there has to be a salary cost for the individuals involved, and that salary is going to have to be a salary equivalent to what the employer is paying to other individuals. It can not be $3,000, $4,000 or $5,000. It has go to be on an average, let us say, $12,000. And you cannot just pay salaries. There are, of necessity, overhead costs and costs of equipment that go with the provision of jobs, and so I added to $12,000 another 50 percent to get to $18,000 and multiplied that out, and that comes to $48,000.

Mr. WEISS. Could we not say, instead of costing $18,000 it would cost $9,000?

Mr. SAULNIER. Well, I have just finished reading an estimate by the Congressional Budget Office in which the cost of one job under the public works type programs, which are included here, is put at $40,000. If you have some $5,000 jobs, and the Congressional Budget Office has some $40,000 jobs, you might find that you averaged out pretty close to my number.

Mr. WEISS. The average income in this country is $11,000 or $13,000.

Mr. SAULNIER. Exactly.

Let us suppose that you take my number of $18,000 and cut it in half. So, you have a cost of $24 billion, not $48 billion. Maybe $24 billion is the right number, but that would be the startup cost of only the employment provisions of this bill. If that is what they are that is all

right with me. I will accept it. But when the employment sections are costed out, you ought to cost out those provisions of the bill designed to stabilize city budgets, stabilize farm income, stockpile commodities, et cetera.

All of this is left unattended to.

Mr. WEISS. Dr. Saulnier, thank you very much.

Thank you, Mr. Chairman.

Mr. BEARD. At this time, because of our time factor and because we have an additional witness, I will invoke the 5-minute rule. Otherwise, I think that we are going to run out of time.

Mr. LeFante.

Mr. LEFANTE. Doctor, I am sorry that I missed your presentation, but I did read your statement. You said something that aroused my interest a few minutes ago. You referred to "goals within goals."

Mr. SAULNIER. Right.

Mr. LEFANTE. If my memory serves me, I recall the Truman and Kennedy administrations establishing goals and history will bear me out, they came very close to obtaining those goals.

I remember the Eisenhower administration had no goals. As a result, our unemployment soared tremendously. There was a high rate of unemployment under the Eisenhower administration.

I was involved with local government at that time.

Mr. SAULNIER. I am afraid your memory fails you.

Mr. LEFANTE. I stand corrected then, sir; if my memory serves me, as I am sure it does——

Mr. SAULNIER. The Eisenhower administration had just as many goals as the Truman administration.

Mr. LEFANTE. They did not have a position on unemployment.

Mr. SAULNIER. We did not? We certainly did.

Mr. LEFANTE. That is not my point, but in view of the fact that we are under the 5-minute rule, I would appreciate it if you would bear with me.

Goals within goals, as I interpret that, means to increase employment and thereby decrease unemployment which is all linked into gross national product. Now, I would be interested in hearing how you define or interpret employment or unemployment with regard to gross national product. In other words, do you know what the ratio of increased GNP would do to a percentage point of unemployment?

Mr. SAULNIER. We know from experience, Mr. LeFante, that employment increases with increases in output, but at different phases of the business cycle that relationship changes.

In the last year and a half, for example, when the economy has been recovering at really quite a rapid rate, employment has increased substantially and I would expect that with, let us say, a growth rate of between, somewhere between 5 and 5.5 percent, say in 1977, that you would have a very substantial increase in private employment. Just what the number would be, I would not hazard to guess, although if you would really wish me to do so, I would be glad to undertake to give you a specific appraisal.

Mr. LEFANTE. I suppose I could get those figures from the Congressional Research Service.

By decreasing the gross national product, would we decrease the unemployment rate?

Mr. SAULNIER. Not necessarily.

Mr. LEFANTE. I happen to endorse your theory related to the private sector; I agree with that. I really cannot see increasing the growth of the gross national product by public service jobs. However, there is undoubtedly a way of measuring this.

I am very concerned about your attitude on controlling purchasing power. To increase the gross national product, but not to have anyone in a position to buy a finished product is not doing much for the economy.

Goals within goals are related. I think we can correlate them.

Mr. SAULNIER. There is no question here of national income not rising as output rises. One of the steadiest and most stable relationships in the whole economy is the relationship between national income and national output. When GNP rises, you can be sure that national income will rise.

Mr. LEFANTE. I agree with that.

In the last paragraph of your statement on page 5, you say:

> The remainder is to give encouragement to measures designed to increase private investment and private self-supporting employment. The major functional deficiency of H.R. 50 is that it would do nothing to create private, self-supporting employment. Unless such employment is increased the effect of H.R. 50 would be to lodge people more or less permanently in make-work jobs. I am sure that is not the result the committee wants.

How to we do this? How do we create private, self-supporting employment? This is the point that I am trying to get at.

It is all right to sit there and give us all of these ideas and different views on the subject when we all agree. We are in complete agreement as to where the problems are.

Could you tell me, in addressing that last paragraph, how that goal or objective could be obtained?

Mr. SAULNIER. Well, Mr. LeFante, I do not come here with any formula for the instant solution of that problem. There is no such formula.

We do, however, know of things that can be done that will promote the growth of the economy, and by doing that—and I am saying that should be done mainly through a promotion of the private sector side of the economy—we increase employment and increase real incomes.

Now, how do you do it?

Well, I would suggest that at this time a reading of the January 1977 economic report is a useful exercise for all of us. It is directed to the problem of what can be done to promote output and employment.

In the first place, we need a better balance between what we do to promote investment and what is done to promote consumption in our economy.

We have shortchanged the investment process. Now, that has to do partly with taxation, and partly with the encouragement of savings, but the promotion of investment is one very large part of the job of improving employment prospects.

I know we have a 5-minute rule, Mr. Chairman. I have no wish to violate it.

Mr. LEFANTE. Thank you, Doctor.

Thank you, Mr. Chairman.

Mr. BEARD. I want to give a little bit of time here to the minority staff person who has a question on behalf of Mr. Sarasin.

Mr. SEMPLE. You talk considerably here about the imposition of wage and price controls. You gave us your historical knowing of the long history of studying historical economic effects.

I would also like to point out to you, do you really envision any such controls going into effect that would touch on wages, considering the current political climate? What would happen if only prices were controlled?

Mr. SAULNIER. If only prices were controlled and costs continued to rise, the margin between costs and prices for private producers would be squeezed. Business would be turned into a loss position. People would be put out of work. We would have a serious economic crisis on our hands.

Mr. SEMPLE. Could you go on and describe what has happened historically with the imposition of wage and price controls?

Mr. SAULNIER. What has happened historically is that ultimately there had to be across-the-board controls, and they have had to control wages as well as prices. They have had to control interest rates. In many cases there has been a need to allocate credits.

We had an example of that in 1972–73 under the Nixon administration, when ceilings were suddenly put on meats.

I happen to be a longtime, old friend of Earl Butz. I would go into the local meat market, where my butcher would give me a lecture about Mr. Butz, and what he was doing to the meat business.

A lid was put on prices and soon meat was no meat. Whatever meat there was, was a poorer-and poorer cut, masquerading as a better cut.

It just does not work. You cannot put a lid on prices, with costs rising, without having deterioration of product and disappearance of supply.

Mr. BEARD. Thank you very much for your testimony, Dr. Saubnier. We appreciate it very much.

Our final witness is Ms. Pat Leeper, staff lobbyist for the National Organization for Women.

STATEMENT OF MS. PAT LEEPER, STAFF LOBBYIST, NATIONAL ORGANIZATION FOR WOMEN, WASHINGTON, D.C.

Ms. LEEPER. Mr. Chairman and members of the committee, I am Pat Leeper, staff lobbyist for the National Organization of Women, a feminist human rights organization working to bring women in our society into full equal partnership with men.

Last year, NOW submitted a 25-page testimony on the Full Employment Act of 1976. In this testimony, we detailed the effects of unemployment on women and minorities and suggested a number of recommendations. Since that data is available from us to all interested parties, we will not repeat here the majority of data we collected for that project.

Today we would like to address a broader view of the current legislation pending before various committees to ease the economic problems we face. NOW is committed to the full employment concept. Only long-range planning and programs will alleviate a major share

of the causes behind unemployment. Without such a plan most other program will have a "Band-aid" effect while larger problems fall through the cracks bringing the need for even greater effort and expenditure in the future.

However, we do see the immediate need for at least some of the recent economic proposals. These include, of course, tax relief and rebates, expanding CETA grants, expansion of public works programs and various forms of direct job creation.

Of these, we see tax rebates as being the least effective means of lowering unemployment. Although the rebates may provide some economic stimulus and is a popular measure, it is a costly and inefficient method of creating jobs.

Nevertheless, it is apparent that tax rebates are going to be a major part of the economic budget package. To that end, we can only urge support of those measures that will give relief to the neediest sectors of our society including those millions who file no tax returns.

We support the increase in outlays for CETA programs and Congressman Mitchell's proposal which would create 300,000 additional jobs through public service employment. Like any increase to ongoing programs, we do ask that every attempt be made to iron out existing difficulties in those programs.

In the case of CETA, we intend to watch local distribution in communities which have shown resistance in the past to involving all segments of the community, and monitor the types of job training versus the actual market for those skills in each community.

Although it falls short of effective needs, we also support the House Budget Committee recommendations for accelerated public works.

While most of the job creation and expansion proposals have some merit and will do some good, NOW's primary concern is monitoring every program for its disparate efforts on groups which carry the double burden of unemployment and discrimination.

Obviously, none of the economic package is going to meet all needs and satisfy every group. However, a firm targeting system within all programs should be developed so that a certain amount of jobs and training are available to meet the specific needs of various groups in proportion to their numbers on the unemployment rolls, or some other rough equivalent.

For example, certain types of jobs are now, because they have been in the past, exclusionary. Public works and construction jobs, while needed in certain numbers, will effectively lock out most women who have been both subtly and actively discouraged from seeking such jobs.

Therefore, while some disadvantaged groups can be targeted under construction and public works, they must be balanced by public service jobs of a nature to fulfill the needs and relative skills of others. NOW believes a first priority in targeting women as a disadvantaged group should be in the area of expanded day care services.

We believe there are a number of advantages in making this a priority:

One, it will provide a service acutely needed and a service for which there will be a continuing and growing need.

Two, lack of day care is a primary reason women on welfare cannot afford to take jobs in the first place.

Three, it will provide on-the-job training and jobs for a variety of workers, unskilled, semiskilled, and unemployed teachers alike.

Four, preparing facilities can be part of a rehabilitative construction program.

Five, some parents will be able to pay for the services so there will be some cost return.

In short, any jobs program that actually has the effect of providing needed services to another disadvantaged group pays dividends by killing two birds with one stone. Day care is certainly one of these.

We want to make it clear at this point that we are not here asking for special favors for women. We are talking about real human needs that will continue to have an adverse impact on the economy if they are not taken into consideration and dealt with directly.

President Carter and others in his administration have talked a good deal about preserving the family. We cannot help the family in any concrete way until we have legislation and programs that deal with fact and not traditional wishful thinking.

The traditional American family is based on the notion that there is an economically solvent male available to support every dependent woman and child. By extension, this notion teaches our young women that they need not train for serious lifelong careers making them self-sufficient when they need to be because hubby or "Big Daddy" will be there to supply most of their needs.

This attitude could be called "waiting for Prince Charming" and millions of women who bought it are now on welfare or struggling to make ends meet below the poverty line. We now have the unfortunate situation where the Government is forced to play "Big Daddy." The irony of this situation is that the very policymakers who deplore the problem seem unable to admit that their own sentimental values which include keeping women dependent and underskilled caused the situation in the first place.

The American economy is no longer able to support the American dream that will give most women that luxury of choice. Our leaders and lawmakers must finally accept this as fact. They must have a gut understanding our economy will not be healthy until all who can work get work. They must keep fact before them at all times.

Fact: one-half of all families achieving median income do so because both husband and wife work.

Fact: 39 percent of all black families are headed by women.

Fact: 32 percent of all Puerto Rican families are headed by women.

Fact: Only 40 percent of the wage earners in this country make enough money to be the sole supporter of a family.

While most of these facts have been made public and groups like NOW expound them over and over, the attitude still prevails that women are a disposable factor in the work force.

So again, we do not ask that women be given preference. We ask that they be targeted as one of many disadvantaged groups with special needs. We remind you that they are at least half of all other disadvantaged groups.

Youth need training plus jobs. Minorities need special effort. Women cannot take jobs without day care. Any comprehensive program that does not take special problems into consideration will fail to reach large segments of the unemployed through default. We have stressed

direct targeting as a method because we have learned through sad experience that simply tacking an affirmative action clause to the legislation does not work.

We realize that many of these considerations have been addressed in the Full Employment and Balanced Growth Act of 1977, but not in some of the other legislation under discussion. Consideration of the final economic package comes under the jurisdiction of many committees and NOW or other groups will address them separately and in more detail elsewhere.

However, we hope this subcommittee insists on taking an active oversight role on implementation to make sure the resulting programs are equitably handled and that effort is not eased when the economy improves from a strictly middle-class point of view. We will not let up as long as any group suffers an unacceptably high rate of unemployment.

We know that Government cannot solve all our problems, but those of us working through civil rights, human rights, and women's rights groups represent the valid complaints of groups that have been hurting in one way or another for a long time. Economic improvement is the major indispensible key to solving most of the other problems.

We can help define the problems and propose solutions, but none of us have the resources to solve them. Therefore, I hope the members of this committee will not only continue to listen to us, but to act on our suggestions.

Thank you.

Mr. BEARD. Thank you.

Mr. Weiss.

Mr. WEISS. I think that it has been so well-stated that I have no questions.

Mr. BEARD. Mr. LeFante.

Mr. LEFANTE. I have no questions.

Mr. BEARD. I have a question which sometimes causes me a little confusion.

In your statement, you refer to a particular group.

Ms. LEEPER. Yes.

Mr. BEARD. Is that not the whole cause of the women's movement to try to get from the classification of a particular group?

Ms. LEEPER. As long as, in fact, in the society you can show through patterns and practices, you can show where women are actually ghettoized, they do to that degree have to be treated as a group because they are not yet fully integrated. That is a goal, yes.

Mr. BEARD. It is a goal on one hand, but it is a great tool on the other hand. You cannot have the two.

Ms. LEEPER. We are a group that women come to—I do not mean feminists; we are already in there. People come to us as a last resort because they do not know where to turn.

We are very worried about those women who are most disadvantaged. Many of us who are well educated and many of us in the movement are, in fact, married to economically solvent men and are the ones who have the time to do this.

There is really a two-pronged thing. One is women's rights in general; the other is solving very practical problems that affect the economy, which also affect women.

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To a large degree, I think there is a confusion from people who do not like the changes that have come about is blaming the movement for the changes themselves, when actually the movement was born because the changes were already here and having an adverse impact on them. That impact continues. We agree that the problems have not been solved.

Mr. BEARD. Thank you.

Mr. SEMPLE, do you have any questions?

Mr. SEMPLE. I have no questions.

Mr. BEARD. Ms. Leeper, in regard to CETA are you in favor of the veterans' preference?

Ms. LEEPER. Veterans preference in general. I spent 18 months on the Committee of Women in the Military. I know veterans preference as a whole impacts most negatively on women because of the small number of women allowed in the military—of course, they are not drafted.

What we object to, we have no objection to the one-shot deal. Of course, those are disabled. What we object to is this notion that service life as it has existed for the majority of people served is so debilitating they need some kind of lifelong handholding, which we do not think is necessary and, quite frankly, unfair.

Obviously, there are those groups within veterans that do need help of one sort or another. We do not have any objections there.

Mr. BEARD. Thank you very much for taking the time to appear before us today. We certainly appreciate your testimony.

The Committee will now be adjourned until 9:30 Thursday morning.

[Thereupon, at 12 noon, the subcommittee recessed to reconvene at 9:30 a.m. on Thursday, February 24, 1977.]

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA AND THE PRESIDENTS ECONOMIC STIMULUS PROPOSALS

THURSDAY, FEBRUARY 24, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to recess, at 9:40 a.m., in room 2123, Rayburn House Office Building, Hon. Edward P. Beard presiding

Members present: Representatives Perkins, Beard, Myers, LeFante, Weiss, Corrada, Quie, Sarasin, and Jeffords.

Staff present: Susan D. Grayson, staff director; Nathaniel Semple, minority legislative associate; and Carole Schanzer, clerk.

Mr. BEARD. The Subcommittee on Employment Opportunities is now called to order. Chairman Hawkins is unable to be here today and has asked me to chair this hearing in his place.

This morning we are continuing the hearings which commenced on February 8th on comprehensive employment proposals.

We are certainly pleased to have with us today the Honorable Raymond Marshall, Secretary of Labor.

At this time I would like to recognize the ranking minority member of this committee, Mr. Sarasin.

Mr. SARASIN. Thank you, Mr. Chairman. I do share in your welcome of Secretary Marshall before this committee. I hope to have the opportunity in the next few years to have the Secretary's presence quite often. We will appreciate any help he can offer to us.

I have no prepared statement, Mr. Chairman. I look forward to the Secretary's testimony this morning and I look forward to the opportunity to engage in dialog with Secretary Marshall.

Mr. BEARD. We are also honored to have sitting with us today the chairman of the full committee, Carl Perkins of Kentucky. Mr. Chairman, would you like to say a few words?

Chairman PERKINS. No, not at this time.

Mr. BEARD. Secretary Marshall, we welcome you before the subcommittee this morning and look forward to your testimony.

STATEMENT OF HON. RAY MARSHALL, SECRETARY OF LABOR, ACCOMPANIED BY WILLIAM B. HEWITT, ACTING ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING

Secretary MARSHALL. If it is all right with you, Mr. Chairman, I would like to put my prepared statement in the record and make some comments to summarize it.

Mr. BEARD. Without objection, it is so ordered.

[The statement referred to follows:]

PREPARED STATEMENT OF SECRETARY OF LABOR, RAY MARSHALL

Mr. Chairman and subcommittee members, I welcome the opportunity to appear before you today. Accompanying me is Mr. William B. Hewitt, Acting Assistant Secretary of Labor for Employment and Training. Yours is a new subcommittee, and I am a new Secretary of Labor. This subcommittee has as a major area of jurisdiction the improvement of employment opportunities. I share your commitment to the goals of assuring meaningful employment opportunities to our citizens and combatting employment discrimination against people for any reason unrelated to work performance and productivity. The questions you posed in connection with these hearings reflect the careful and informed work on unemployment and its causes and effects performed by the former Subcommittee on Equal Opportunities. I pledge to you my cooperation as we move to find solutions to major employment problems facing the American labor force.

I believe the most important and immediate domestic problem facing the country is the need to reduce unemployment. By any measure, unemployment is much too high. It exacts a heavy toll in human and material terms. At the same time, I share your perception that any long-term solution to the problems of unemployment must take cognizance of the broader national economic problems and policies with which unemployment is inseparably interwoven.

Therefore, as reflected by the comprehensive nature of these hearings, we share a dual concern. We have before us a need to take prompt action in response to present economic conditions. At the same time, we must carefully assess the need for future initiatives. The more immediate concerns involve extension of the Comprehensive Employment and Training Act (CETA), and the Administration's economic stimulus proposals. The more long-range concerns are typified by the questions attached to your letter of invitation.

The issues raised by those questions go to the heart of today's economic problems. We must achieve a strong economy offering maximum opportunities for productive employment. We must determine the most effective means of using federally-funded programs to stimulate job creation. We must design policies and programs to give us sustained growth, instead of inadequate upturns and excessive downturns. We must avoid new rounds of excessive inflation. The questions you have posed must be addressed as we plan for the future. The problems before us demand a maximum of vision, foresight, and open-mindedness. The forum provided by this Subcommittee during its hearings will present an opportunity to probe such basic questions and address the problems underlying them.

More immediately, we are confronted with an economic situation which requires appropriate and timely stimulation to aid recovery, and with a need to extend the basic CETA statute for another year. The two subjects are closely related. Department of Labor activities under the economic recovery package in the areas of public service employment and employment training are predicated on the continuation of CETA authority.

As you are aware, appropriations authority for CETA expires on September 30, 1977. Under the Congressional Budget Act, new authorizing legislation for Fiscal Year 1978 must be reported by committee not later than May 15, 1977, less than three months from now.

Chairman Hawkins has already introduced H.R. 2992, to extend authorization of CETA for an additional year. We basically agree with this approach. We are recommending a 1-year extension of appropriations for all titles of CETA, but with the addition of a few amendments needed to facilitate the Administration's stimulus package. For instance, the President has stressed the need for

special attention to the problems of certain groups in the labor force. Therefore, we will be proposing an amendment to create a preference for younger Vietnam-era veterans in hiring under public service employment financed under titles II and VI of CETA. The Administration will be submitting its bill shortly.

From the more long-range standpoint, over the coming months, together with you, Mr. Chairman and members of the subcommittee, and with other interested members of Congress and the public, we will assess the need for both substantive and technical amendments to CETA. We feel that the 1-year extension will provide us with additional time to carefully review the many recommendations to amend CETA that have been made, as well as to develop our own proposals. While we are at this time proposing a 1-year extension of title VI of CETA, any future legislation that carries this program beyond fiscal year 1978 must contain mechanisms that will phase the program down as unemployment falls. We will inform Congress by May 15 of the outline of any such CETA legislation for fiscal year 1979 which we may wish to propose.

In the meantime, extension of CETA for another year will enable us to carry out key portions of the Administration's economic stimulus package related to employment and training.

The President's program is designed with the premise that a careful mix of stimulative measures is needed to strengthen the economy, and that the key to economic improvement must be found in the private sector. Accordingly, the proposals include tax measures designed to stimulate the economy in general. They include revenue sharing proposals designed to make that program more sensitive to the unemployment rate and its fluctuations. Emergency public works programs will be targeted toward areas of high unemployment. This will also help the severely depressed construction industry. New and expanded efforts in the areas of public service employment and employment training programs are proposed.

As I have testified previously before other committees, I personally would have favored more emphasis in the President's package on job creation and training programs. However, in considering the proposals which came to make up the package, we were aware that the administrative capacity for expanding direct job creation and training measures is limited. We feel that we went just about as far as we could prudently and effectively go in expanding these programs, while at the same time making sure that the jobs created were meaningful, went to those most in need, and genuinely increased employment.

In this context, I believe that it will be worthwhile for me to review the Department of Labor components of the President's economic stimulus package.

While the primary source of new jobs must remain the private sector of our economy, we cannot ignore those whom the private sector is not ready or able to absorb. Therefore, programs of meaningful public service employment are a vital part of the President's economic stimulus program.

We want public service employment to be useful and meaningful. There is no need for make-work when so much needs to be done in some many areas, such as energy conservation and weatherization, repair and renovation programs, rehabilitation of blighted urban and rural areas, and necessary projects to deal with local emergencies, such as those created by the harsh winter.

Moreover, meaningful public service employment opportunities provide abundant dividends. They can be targeted to areas of greatest need. They can move people from welfare and unemployment rolls. This can provide meaningful services from which we can all benefit.

At the same time, large scale expansion of public service employment programs, as well as new initiatives in training programs, cannot be accomplished overnight. We will move at an accelerated pace, but at one which is within our capacity to administer efficiently.

The number of federally funded public service jobs, under the Administration's proposals, will be raised from the level of 310,000 to 600,000 during fiscal year 1977 and to 725,000 during fiscal year 1978. For fiscal year 1977, this represents almost a doubling of such jobs in the next 7 months.

Other aspects of the stimulus package provide both new and expanded efforts to combat structural unemployment through developing job skills. These efforts will not only supplement general economic recovery by providing more trained workers to meet expanded employer needs, but will also concentrate many programs on the needs of those with problems in obtaining the skills required to obtain jobs. At the heart of these programs will be increased efforts to establish

better linkages between job training and private employers, with increased employer participation being a key goal.

As I have indicated our proposals include special measures targeted to groups with special employment problems, such as youth, veterans, migrants and Indians. Within and for these groups, there must be carefully tailored programs to develop marketable skills and to encourage private industry to hire them.

With regard to youth training and employment, we must recognize that unemployment among the Nation's young people is particularly severe.

The Nation's young workers represent our future. Their attitudes and workforce attachment are given shape and direction early in their working lives. Yet a substantial proportion of the young population continues to be plagued by persistent unemployment which may have long-term adverse consequences.

Latest available figures indicate that there are more than 3.2 million unemployed jobseekers among those aged 16–24. In percentage terms, we have an 18.7 percent unemployment rate among youth aged 16–19, and an 11.4 percent rate among those aged 20–24. For minority youth, however, the rate of unemployment is presently 36.1 percent. Even more significant, these figures are little different from corresponding figures for the same age groups a year ago. We have a problem which is not only severe in magnitude, but chronic in duration.

To date, progress in meeting the employment problems of young people has been negligible. Overall high unemployment still places the young in competition with more experienced workers for those jobs which are available. In many cases, young workers still lack marketable job skills; in too many cases, their training and education have not fitted them for jobs which are available.

For these reasons, I believe the Administration's proposals for dealing with youth are among the most important aspects of the entire stimulus package. The Administration's proposals represent a first step along the road of what we can do to improve the situation of our younger workers. We propose expansion of youth-oriented programs using the authority in titles III and IV of the Comprehensive Employment and Training Act (CETA). Youth training programs under CETA would increase by 72,000 slots by the end of fiscal year 1977, with a further increase of 82,000 slots by the end of fiscal year 1978, for a total increase of 154,000. For Job Corps activities, we propose a doubling of the present 22,000 slot capacity by the end of fiscal year 1978.

Within these overall expansions, we intend to concentrate on developing marketable jobs skills, where none presently exist. We will make every effort to improve linkages with private industry, seeking a more active role for the private sector in developing training programs which are tailored to jobs which need to be filled. There will be increased emphasis on a broad range of job training efforts—apprenticeship, on-the-job training, and institutional training. All of this will enhance the ability of many young people to operate more effectively in the labor market. We also seek to implement innovative measures to expand the horizons of our young unemployed workers through their participation in special programs related to conservation and service activities.

With regard to veterans, the proposals involve both the private sector and public employment and training measures. Under a new HIRE program we will enlist the aid of the private sector in putting unemployment Vietnam-era veterans to work. As an incentive, we propose to pay a variable amount per veteran hired—depending on that person's occupational level and job—to cover the extra costs of training and other special services needed to make the veteran fully productive. Federal assistance will be available only if employment of targeted groups does not result in displacement of presently employed workers, workers laid off, or workers on strike. We are also proposing an amendment to present law to establish a preference for younger Vietnam-era veterans in all public service employment under titles II and VI of CETA. For disabled veterans, we propose the establishment of outreach units in the 100 largest cities, staffed by disabled Vietnam-era veterans who will concentrate on bringing these veterans back into the mainstream of the labor market.

In addition to the measures I have discussed, the unique problems of migrant workers and Indians will be addressed with expanded training opportunities geared to the special needs of these groups.

The measures I have reviewed will be the vanguard of a continuing effort to deal with the special problems of the structurally unemployed.

We recognize that the Administration's proposals represent a means to attack the most immediate economic problems confronting us. They are not in the nature

of long-term solutions. There remains a need to consider comprehensive, integrated, and flexible programs to achieve a lower level of unemployment and to respond to other economic and related social problems confronting us.

Likewise, we need to recognize the problems of special groups within our society, such as unemployment among our youth. As I have previously indicated, the Administration is proposing certain present measures which can be implemented promptly, within existing program frameworks. But it is also our intention to continue focusing on the chronic problems of unemployment among our young workers. Within the Department of Labor, we intend to give prompt and active attention to new and more comprehensive measures, including possible legislation, to address the unemployment problems of youth. In this effort we will work closely with those members of Congress who have a special interest in this vital area.

Further, we need to renew our efforts to assure that income maintenance programs are effective and efficient. Income maintenance programs cannot be considered in isolation from our goals of full employment and a strong economy. These programs must continue to provide protection to those in need, but to the maximum extent feasible, we must strive to substitute employment for income maintenance. Such considerations are at the core of the Administration's efforts to achieve meaningful reform of the welfare system.

Needless to say, there is a great diversity of informed and expert opinion about the means which should be used to reach our common goals. Assessments of future outlook and goals vary widely. We are going to continue to examine these issues closely, building on what we are learning about the effects of our present programs and what we expect to learn during the operation of the initiatives included in the economic stimulus package.

One thing remains clear. Our goal must be a strong and growing economy, offering opportunity for productive employment to all our citizens. When we achieve that goal, we will see a profound impact on the social and economic welfare of our citizens and on the economic health of the Nation. I look forward to working with you in the coming months.

At this time I would be pleased to respond to any questions you may have.

Secretary MARSHALL. Let me say it is a real pleasure for me to be here. I am accompanied by Mr. William Hewitt, who is Acting Assistant Secretary for Employment and Training in the Department of Labor.

Let me also say that I greatly share the objectives of this committee and its concerns with unemployment and equal opportunity. I also recognize that we share the concern about not only getting unemployment down but keeping it down and increasing opportunity for all Americans.

One of the most important problems that we face in the country is unemployment, not only because of the cost in terms of unemployment but the human cost involved as well.

We are dedicated to doing everything we can to try to lower unemployment, to create conditions that will make it possible to keep unemployment down once we get it down. We recognize that this is a very difficult task and that it will take the cooperation of the administration and the Congress and a well-informed public in order to be able to accomplish that objective.

We are asking for a 1-year extension of the Comprehensive Employment and Training Act, primarily because we would like to take more time to study possible permanent changes if they are needed in that law, and because we can accomplish most of what we have in mind in our recovery package within the framework of the present law.

Let me say some things about the main aspects of our recovery package as it relates to the responsibilities of the Department of Labor. The most important part of that package is the public service employ-

ment program, which we think is a very important program and a most effective way to bring unemployment down.

The advantage, of course, of a public service employment component of a recovery package is that the program can be targeted, thereby reducing unemployment more efficiently than would be possible through more general approaches.

We also think a public service employment program is beneficial because you can put people to work doing useful things, and that is much more efficient and effective than to simply increase the money supply or to not be as concerned about the output that comes from expenditures of public funds.

Through public service employment it is possible to reduce other public expenditures such as income maintenance and unemployment insurance. We believe that public service employment is a better solution, a better alternative, if possible, to creating jobs. We are planning to increase this program substantially during fiscal 1977.

Chairman PERKINS. At that point, which titles?

Secretary MARSHALL. Titles II and VI, Mr. Perkins.

Chairman PERKINS. Go ahead.

Secretary MARSHALL. We would combine those titles. Our objective is to go from 310,000 jobs during fiscal 1977 to 600,000 jobs, to hold that level in fiscal 1978 and increase it to 725,000 jobs. We expect to be able to accomplish that by the end of this calendar year, during the first quarter of fiscal 1978.

We believe that we can do that prudently. By that we mean we are trying to do everything we can with the program to be sure that the jobs are useful jobs and that the program is adequately managed and administered. These are the main constraints that we see on our ability to expand the program because we felt it was very important to impose those two constraints.

Now, beyond the public service employment program, we are doing some other things as part of the stimulus package to concentrate on particular groups and to improve the training of workers so that they will be better qualified for jobs as they open up.

We have given particular emphasis in our package to expanding the apprenticeship program because we believe this is a very effective means of training people for a skilled trade and therefore, we are planning to about double the Federal expenditure on apprenticeship.

Beyond that we are planning some initiative to try to get at the problems of particular groups of unemployed people. One of these is the special program for young people because half of the unemployed are young people. We are going to do some things to target both public service employment and training programs to youth.

We are also planning doubling of the Job Corps because we believe that the Job Corps is a very good program and that it is serving an extremely useful purpose for that category of young people for whom it is targeted.

Another program that we have launched is a special program for veterans. We have done that because of the evidence that Vietnam-era veterans, particularly, suffer heavier unemployment than other people in similar age groups. We believe it is important to try to do some things to make up for the labor market disadvantages suffered by

Vietnam-era veterans, who have given a part of their lives to serve in the armed forces and have therefore fallen behind their peers in the labor market.

We also have special programs in our package for migrants and Indians because we think they, too, have special problems that we need to address.

That is a broad outline, Mr. Chairman, of my presentation. I will be happy to try to respond to your questions.

Mr. BEARD. Mr. Secretary, what are your feelings in regard to H.R. 50, the Humphrey-Hawkins bill? If it were enacted today, what effect would it have on unemployment?

Secretary MARSHALL. The administration has not had a chance to come to a position on H.R. 50. I understand it is before the economic policy group on Monday. I can tell you what I think about it. I was on the record in favor of previous versions of this bill. I strongly supported those provisions.

I think you have improved it here. You have done some things that seem to me to make it better. I particularly like the idea of giving greater emphasis to rural and agricultural concerns. I also like the idea that establishes the objective of reducing unemployment.

I think your greater emphasis on the problem of inflation is also important to establish as an objective, partly because I am convinced that unless we pay attention to the problem of inflation we are not likely to get unemployment down and keep it down. Inflationary pressures will generate opposition to the kinds of things we need to do to maintain full employment, and inflation will also make it more difficult for us to get the labor market operating effectively and can itself ultimately generate unemployment. I think all those things are improvements.

What I would like to do is to have an opportunity to study it carefully and give you a statement at a later point when I have had a chance to go over most of the major provisions. I have stated my personal opinion rather than the opinion of the administration because we have not had a chance to go through the mechanism of the White House.

Mr. BEARD. Mr. Secretary, many of us in the Congress are very concerned about the Vietnam era veterans. Do you have accurate data on the unemployment of veterans between the ages of 20 and 25?

Secretary MARSHALL. We do have accurate information.

Mr. BEARD. In Rhode Island we are trying to track down the Vietnam era veterans but it is difficult because they are the least organized group.

Secretary MARSHALL. There are 162,000 unemployed Vietnam era veterans between the ages of 20 and 24. Their rate of unemployment is 16.8 percent, compared with the unemployment rate of nonveterans aged 20 to 24, which is only 10.6 percent. For veterans aged 25 to 29, I have 7.9. The rate for veterans aged 20 to 24 is down from 19.2 in September 1976 but still higher than the rate for nonveterans in that age group, which is now 10.6 percent.

Mr. BEARD. Mr. Secretary, there is special consideration in title II and title VI for this particular group. Do you intend to give them special preference?

Secretary MARSHALL. Yes; we do. We have a program that is designed for all veterans. Since most of our programs are targeted on those special needs, we pay particular attention to this age group.

We have several components of that package. One is a hire program designed to get Vietnam era veterans jobs in the private sector. We share the convictions stated in your material that it is important to try to get people in the private sector, partly because approximately five-sixths of the permanent jobs are located there.

We are not only trying to get more people jobs in the private sector; we are also trying to establish linkages between public employment programs and private sector programs so that as our public programs phase out, people will be able to move into the private sector. So, the hire program is based on the assumption that we can get the private sector to give greater employment to Vietnam era veterans.

We are already working with veterans' organizations, labor organizations, and major corporations in that program. We are enthusiastic about the cooperation that they have given us to date.

A second component of the program that is to emphasize the hiring of Vietnam era veterans in the public service employment programs. We are asking the prime sponsors to set goals of about 35 percent of public service employment for Vietnam era veterans.

A third component of the program is to have a disabled veterans outreach effort in major cities of the country. We are using some public service employment slots for disabled veterans to have an outreach program to work with other disabled veterans.

Our theory there—and I think it has been borne out by practice—is that disabled veterans have a better ability to deliver services and make information available to other disabled veterans than do people who don't understand the special problems that disabled veterans face.

Beyond that we are trying to do some administrative things to be more responsive to the problems of Vietnam-era veterans. We have a special post that we are filling, Deputy Assistant Secretary for Veterans Affairs, and we are actively seeking people to fill that spot now. We have taken some time because we think it is very important.

In working with the veterans' programs, we have also tried to touch base with veterans' organizations and groups to get their suggestions about the kind of things that we ought to be doing.

Mr. BEARD. My last question will be in connection with CETA jobs—the Comprehensive Employment and Training Act. Does the administration plan to add to that program—provide more jobs under CETA?

Do you intend to do that?

Secretary MARSHALL. The administration's intention as we put the package together—was that if it looked like more stimulus was needed at a later time, then we would do it. The theory was that it was easier to apply additional stimulus, if needed, than to start some program if you are already under way with them.

Mr. BEARD. Thank you very much, Mr. Secretary. The Chair recognizes Mr. Sarasin.

Mr. SARASIN. I appreciate your testimony this morning, Mr. Secretary. I am concerned about special aspects of it. One of the basic concerns is that we may be overloading the CETA program itself in favor of public service employment. CETA was on board before the

unemployment levels became very high and never really had a chance to operate; even then it had some problems. Do you feel that we are overloading CETA, which is the job training aspect of the program?

Secretary MARSHALL. No, sir, I don't think we are overloading CETA. I think we are testing its limits. But we have made a judgment that it is important for us to try to do as much as we can through public service employment and reducing unemployment because we feit that that was the most effective way to bring unemployment down. The cost is less; you can target more.

I asked my staff to pay particular attention to those two standards I talked about: our ability to be sure that people get meaningful work and that the programs are adequately administered.

Some people do think that we have overloaded it and that we won't be able to do as much as we plan. Others think that we can do this. When I examined all the evidence, I came up with this figure as about what we could do. I don't think we have overloaded it but I can't be sure.

I can also say that we are paying some attention now to the question of the flexibility of the system and how we might move more rapidly or more expeditiously and to get harder evidence on that point than we had when we put this package together.

One of the main problems I faced and that the administration faced in constructing this package was time, because we had to do it before we ever took office. That meant we had to base our conclusions on the information readily available to us and didn't have time to do a lot of staff work.

Since then, however, I have paid particular attention to the flexibility of the system and how we might expand more expeditiously in the future than we were able to this time.

Mr. SARASIN. Wouldn't the flexibility of the system be in danger, at least as far as the ability of the private sponsors to direct dollars in the areas of need in their locality, if categorical programs were passed with the new targets you have?

Secretary MARSHALL. I don't think so. I think what we try to do with the programs is not to categorize entirely the delivery side of the mechanism. What we try to do is to target programs on areas of special need, such as youth and veterans. The main delivery mechanism will be the local prime sponsor so that they will be able to deliver within those targets.

One of the things that we have found from the CETA experience is that while most of the groups served by CETA were much the same as groups served by the Manpower Development and Training Act experience, there were some groups and some kinds of programs that received less attention relatively than had been the case previously. We thought that it was important to try to do some targeting in order to get at the special problems of young people and veterans especially, and some kinds of programs like on-the-job training, for example, is the most effective way to learn a skill.

But, for some reason, the relative importance of on-the-job training declined with CETA. We wanted to try to work with the business sector in order to try to improve the on-the-job training component of our program.

That is a long way to say that the shift away from decategorization is only marginal; it is still a decentralized program for the most part.

Mr. SARASIN. We have conducted a number of hearings around the country, Mr. Secretary, in the last few months. Almost unanimously those people in the field were concerned that the Federal Government was going back to the old categories and making it so rigid they could not operate very well. They seemed to be pleased with the decentralization, the philosophy of the CETA program. I hate to see it turned around.

How do you propose we turn this off once the spigot has been turned on? With public service employment, it seems to me if we are not careful we will create a monster that is incapable of being terminated.

Secretary MARSHALL. Of course, it can be turned off in a number of ways. One, the legislation terminates and we phase the program out.

Mr. SARASIN. What happens to the unemployment rate?

Secretary MARSHALL. What we hope is that the unemployment rate will be down by that time. We are examining the question of triggers and how that might reduce the size of the public service employment. We decided not to recommend that at this point because we are considering some other initiatives that we would like to recommend at a later date. The 1-year extension makes it possible for us to consider all of that as a triggering mechanism as well as what might happen on the youth employment program and other changes that we might recommend in CETA.

Mr. SARASIN. Would you consider a 2-year extension of the program in order to allow the prime sponsors to do some longer range planning?

Secretary MARSHALL. I think it is important to have longer range planning. We did not consider 2 years here. Of course, the extension will be part of the recovery package, the rest of 1977 and 1978. I think we will be able to make some decisions before the end of fiscal 1978 for a permanent extension of the program.

Mr. SARASIN. The targeting for veterans' groups, Vietnam-era veterans' groups, appears to be weighted in favor of the other Vietnam-era veterans. If we do that, are we, then, not getting to the individuals who were actually in wartime but people who are part of the overall Army concept and have now just been released in the marketplace? Are these the persons we are trying to serve?

Secretary MARSHALL. We are not restricting the program to the younger veterans—we just think there is need to make a special effort to get at people with special employment problems. The unemployment differential declines as the veterans get older, which indicates that those veterans have made a more successful readjustment to the labor market.

We don't feel that the program should be restricted to the younger veterans, because all veterans need help. They all had trouble reentering the work force in the Vietnam war, which was different from previous experiences.

The way we are constructing the program is to concentrate on Vietnam-era veterans totally. The younger veterans have higher levels of unemployment; and, with the public service employment program, of course, these will be goals; they are not quotas.

Mr. SARASIN. You point out the situation that exists among teenagers. You talk about expanding the program to try to handle that. Are you considering a year-round program primarily rather than a summer program?

Secretary MARSHALL. Yes; we are. We think that the category of youth is very broad and encompasses several important subcategories of young people with different needs. We think that the young high school dropout, for example, has a different problem than a younger person trying to stay in high school.

The young person in a rural area faces a different labor market than a young person in an urban area. A young person who is from a broken home with trouble in a central city or rural area has different problems from people in more stable families.

We think that you need to target on the main categories of young people. Young women have special problems and we want to try to pay particular attention to those. That means that what we would like to have is a comprehensive approach that meets the needs and interests of different young people in the work force.

Mr. SARASIN. Under the program, we are paying young people 14 to 16 the minimum wage in the summer youth programs. Do you think that is a proper handling of the funds? I think we could make those dollars go farther if we were paying a lower stipend to that group and perhaps accomplish the same thing. We could also curtail our efforts to reach that group and instead try to reach the people who are really trying to enter the work force.

Secretary MARSHALL. Generally I favor the minimum wage for these programs. I think there might be some special circumstances that would warrant different levels. But the reason I am concerned about minimum wage is that I think we need to be concerned about the relationship between payment for work and no work and income maintenance program. I am also worried about the substitution of younger for older people if we don't pay the minimum wage.

So I don't think it is generally desirable to have a differential for youth. That does not mean that you could not have a lower stipend for young people. I haven't given that question serious thought. We can do it. We are not through putting together our youth package yet.

Mr. SARASIN. I would respectfully ask you, Mr. Secretary, that when you are putting that package together, you give that some consideration. I have asked this question almost continuously in our hearings. I have an overwhelming number of sponsors and mayors who have supported this concept, their feeling that you can do more with the dollars and it is not really necessary to pay the 14- or 15- or even 16-year-olds that much for the kind of work they are doing when your effort is to try to provide them with some very basic job skills. You are not training them as craftsmen. Perhaps the best skill they learn is to show up for work on time and be available for the next job.

Under title VI the Congress adopted at the last session, there is a great deal of targeting for long-term unemployment in AFDC families and limitation of income. We are wanting to try to get at the people with the greatest need rather than to allow public service employment to be a substitution for the local unit or State pay check.

Do you feel the present targeting will prevent you from getting at the kind of people you are talking about, putting them into the public service employment program?

Secretary MARSHALL. Of course, that is one of the reasons for our concern with the managerial end. We do want to be sure that we carry out the mandate that we have from Congress. We are very much concerned about the substitution problem because we are trying to have a net effect on unemployment with the program.

If you get a lot of substitution, that might be good in some cases; in some cases it might be bad. It is undesirable in either case from our perspective for people to use public service employment funds designed to reduce unemployment either to pay people who would have been on the payroll anyway or to cover other costs.

We are trying to guard against that as much as we can. I believe, though, that we will be able to target them with our special veterans' programs and with other programs that we have. Some of them are automatically targeted. If we double the size of the Job Corps, for example, the group that we serve is pretty well defined, and we won't get much substitution.

Another way to avoid substitution is to encourage subcontracting with nonprofit organizations to do a lot of the employment training work.

Mr. SEMPLE. On allocation of criteria for targets there are some who have expressed concern that they won't have enough bodies to fill the slots. In that situation we have reallocation authority? Do you intend to use that?

Secretary MARSHALL. Yes, I am prepared to use that.

Mr. SEMPLE. Thank you, Mr. Chairman.

Mr. BEARD. Chairman Perkins.

Chairman PERKINS. Thank you very much, Mr. Beard.

First, Mr. Secretary, I appreciate your appearance before the committee this morning and your statement, which I have read, seems to be a genuine commitment to bring additional resources to bear on the critical problem of unemployment.

The increase for the immediate fiscal year of public service jobs is from 310,000 to over 600,000 in fiscal year 1977 and to 725,000 in fiscal year 1978. Taken by itself, of course, doubling the size of the public service job program does not begin to answer the critical problem of unemployment.

I realize that this is only part of the overall economic stimulus package. In past administrations there has been a reluctance to utilize public service jobs to meet unemployment. In fact, members of this committee and Congress in general had great difficulty in securing from the previous administration a commitment for funding training and employment programs.

In addition, many of us in Congress have seen a lack of commitment in previous administrations to reach the intended objectives of the Comprehensive Employment and Training Act.

Mr. Secretary, I have likewise observed that during Democratic administrations in the past, in the changeover from the Kennedy administration to the Johnson administration, that the Johnson administration, instead of going along, concentrating on the public work program, wanted to change the name of it to the Economic Development Administration, and they did, to get their own imprint.

The unemployment slack that we had already taken up rose again because of the timing and because of the long time getting started on this Economic Development Administration.

I personally felt that the public works program was good enough. But be that as it may, I am wondering how you intend to treat the title I programs under the present CETA bill, which we enacted primarily under the old Economic Opportunities Act.

You have already explained your intent about the Job Corps. What do you intend to do about the Work Experience programs and other sound programs that are presently employing and training hundreds of thousands of people. Will these groups that have been employed and are receiving this training in any way be neglected under your plan?

In other words, to what extent do you intend to change the programs under title I, if any?

Secretary MARSHALL. We don't plan to change them at all. What we have asked for is an extension. What we want to do in some cases is augment those programs and comport the youth components more with specialized youth programs to try to meet those problems more effectively.

Chairman PERKINS. I just want to make it clear that, if you are not very careful in changing over, and I mentioned the accelerated public works program going to the Economic Development Administration, every administration wants to get their imprint and wants to do a little better. Let us make sure here that we do not eliminate thousands of jobs of people who are already employed or who will be employed within a few months, for instance, in the summer Neighborhood Youth Corps program, because of the idea that we may find some better way of doing it.

Let us make sure that we are ready to put those people to work without these other youngsters losing a day's work before we make too many shifts in title I.

Secretary MARSHALL. Yes, sir.

Chairman PERKINS. That is your intent?

Secretary MARSHALL. I agree with that completely. My idea is to try to do better, not necessarily to change.

Chairman PERKINS. That is a great statement. I certainly want to compliment you for making that statement.

Now, you have asked for a supplemental appropriation, if my figures are right, of $1½ billion for title III programs, for national programs. What assurance can you give us that rural areas will get their fair share? I have represented an area for 20 years that has had the highest unemployment rate in the whole Nation, the eastern Kentucky coalfields. We still have thousands and thousands of poor people. We have a few millionaires, but they are few and far between.

Many of the departments, not all of them, are pretty much urban-oriented. There has never been a piece of legislation that I haven't supported for the inner cities of this country. They are deteriorating, and they need all the assistance they can possibly receive.

At the same time the rural areas have deteriorated. You have had hundreds of rail lines all closed down. In areas of this kind you have low income farmers who run at the poverty level countywise. I am sure with your background that you do not intend to neglect them.

Secretary MARSHALL. You can count on that, Mr. Perkins.

Chairman PERKINS. Thank you very much.

Another question. Last week Under Secretary Brown testified before the Appropriations Committee and asked for a waiver of the 20-percent limitation for title III funds. The effect of the 20-percent limitation is to limit nationally directed programs to no more than 20 percent of all CETA funds. Does your request for a waiver indicate that you wish to go back to nationally directed programs?

Secretary MARSHALL. Our request for a waiver at this point is because we thought with the simple extension of CETA and more direction we could get at some of these special problems that we want to deal with within the framework of CETA without making amendments to it. Concurrently we had time to think out the amendments that we might want to propose and to work with Congress and the other groups in coming up with longer range changes that seem warranted by those considerations.

Chairman PERKINS. I think that is a good answer to my question, Mr. Secretary.

Now I notice you have requested a supplemental appropriation of $68 million to increase the size of the Job Corps. I believe that the Job Corps, and always have believed, is one of the finest programs that we have for young people. I wonder how quickly you will be able to open up new Job Corps centers around the country.

Do you see any problems in moving ahead rapidly? The reason I ask this question is, when we enacted the Economic Opportunity Act in 1964, we had many places in the national forests and throughout the country, though the Department of Agriculture and in the Interior Department. We had places for Job Corps centers, and installations that could go into effect immediately, and we built new installations. We built a new installation in the district I represent in 1966 or 1967.

Then a new administration came along and decided to close most of the agricultural centers. These centers were not just doing jobs in the forests with youngsters that were sent there; they were training them in many other trades.

I am just wondering if you will move in this direction. Now, President Nixon, when he closed all the Job Corps centers down, promised to set up what he termed minicenters, that would do the job much cheaper. He tried one or two of the minicenters, and the cost was about 300 percent greater than the regular Job Corps centers that he closed down throughout the Nation.

I am just wondering if you could move in this area rapidly, or will it be dragged out here for a year or so, especially in the areas where the facilities are already built?

Secretary MARSHALL. Yes, sir, we think we can move fast, we can open 42 or 15 new centers during fiscal 1977, 70 by the end of fiscal year 1978, which would be about double the size of the program.

In many cases we can use these facilities that have been closed earlier. We can reopen and use them either as part of our youth initiative or as new Job Corps sites.

Chairman PERKINS. Thank you very much.

One final question, Mr. Secretary. All of us are concerned, as I know you are, with the special problems of youths and migrants and Indians and to expand programs in title III and IV of CETA.

Could you be a little more specific about the nature of the programs you anticipate the Department will be directing at each of these categories? Particularly I am interested in the programs directed at youth and how that would work in detail.

Secretary MARSHALL. We have not worked out all the details of that. We are heavily involved in developing youth programs. The kinds of things that we are thinking about are in the public service employment part. We have been talking to the Secretary of the Interior about the possibility of using young people in the national parks; and the Secretary of Agriculture for the national forests.

We have been trying to identify meaningful jobs that need to be done that will meet several national objectives.

Another is to use young people in public service employment jobs to weatherize houses of older people and low-income people. This serves many purposes.

One, it reduces the cost of fuel for those people, and second, it helps conserve energy for the whole country.

Mr. Schlesinger tells me that the payoff in conservation of energy is very great, and this kind of activity can do a great deal to reduce our fuel needs.

Beyond that we think it is important to increase the skills of young people. That is one of our reasons for a much greater emphasis on apprenticeship training. We believe that that program has demonstrated its effectiveness as a way of making it possible for young people to acquire skills. We also would like to have some linkages between, say, the Job Corps camps and apprenticeship program, so that people come out of the Job Corps camps and go into the apprenticeship programs and then become craftsmen and earn substantial income by the end of that period.

We think that is one of the most effective kinds of linkages you can establish between a public and a private program. Our main standard in the training is that the training program be useful in terms of increasing skills and productivity and therefore earnings of young people who come out.

There are some other things that we are thinking about that may or may not be part of our final package. One is that I have been concerned, as a professor is, that low-income young people are not able to go to college anymore, partly because of the rising costs.

One thing that made it possible for them to go to college and get advanced training was the GI bill, which I think was a good program. It seems to me to be entirely feasible to connect the GI bill to our public service employment programs and other programs so that people earn credit for education while they are working.

Chairman PERKINS. Mr. Secretary, I think you have given a good explanation and have given a good presentation to the committee this morning. I want to say that Congressman Daniels, Congressman Quie, and many, many others worked hard to get the Comprehensive Employment and Training Act put together, and only succeeded by a few votes on the House floor in 1973.

I am delighted that you are only asking for a simple extension to give you time to make a proper analysis and come up with recommendations. I want to assure you that you will have the cooperation

of the full committee and the cooperation of Congressman Hawkins and his subcommittee. We intend to move this legislation rapidly.

Secretary MARSHALL. Thank you, sir.

Chairman PERKINS. We look forward to a lower unemployment figure in the future.

Secretary MARSHALL. Thank you. I do, too.

Chairman PERKINS. Thank you very much, Mr. Beard.

Mr. BEARD. Mr. Quie.

Mr. QUIE. Mr. Secretary, thank you for your testimony. I just want to indicate to you that I, too, favor the extension of the act.

President Carter has developed a plan for stimulation of the economy, and we ought to give him a chance to do it. I might not agree entirely with every part of it. I think we owe it to the country to get it started. Then we can dig more deeply into the program later on. I want to indicate my streng support.

You mentioned job creation and then public service employment. Do you look at public service employment as a method of job creation?

Secretary MARSHALL. My view about it is that public service employment is basically a short-term proposition to make it possible to take people who are unemployed and put them to work doing useful things.

The reason I think it is temporary is because my belief is that what we need to do first is to try to get the public sector to absorb as many people as we can through stimulating the private sector or creating a business climate that will make it possible for the private sector to expand. If we are unable to do that, there are still some things we can do to the private sector to get them to help us with the unemployment problem. We are working to do that.

One thing we can do is get them to help us train, through on-the-job training, and that is part of the main thrust of our HIRE program and will be part of the main thrust of our youth program.

When you do everything you can to reduce unemployment through the private sector and you still have higher levels of unemployment than are acceptable, it seems to me to be useful to have public service employment programs.

My hope is that public service employment will automatically decline in importance as unemployment declines and as people get jobs in the private sector.

Mr. QUIE. On the question of job creation, do you consider the situation where a person who worked on that job and was laid off under title VI for 15 days and comes back on the same job as job creation?

Secretary MARSHALL. In the sense that that person would have been unemployed if they had not put him in that job, it is. It is a problem that we are very much concerned about, the substitution problem.

My attitude is we ought to reduce it as much as we can. How bad it is depends on the economic condition of the local unit of government doing the substituting. If it is a fairly affluent community where what they are doing is subsidizing their wage bill as a result of public service employment, then I think we ought to do everything we can to prevent it.

If it is a community in some trouble that could not continue to deliver services and rehire people, under the provisions of the law we should be able to put them back on the payroll because those people

probably would not have gotten the job if you had not had the program.

Mr. QUIE. Besides those individuals who come back on the job, the other situation where the person left the job for one reason or another, they would have filled it with local money.

Secretary MARSHALL. I think that is right. If that is the case, then that is an undesirable situation. My general philosophy is that we not spend public money to support things that would have been done anyway.

Mr. QUIE. A study in Minneapolis indicated that 1 out of 10 employees in the city of Minneapolis were public service employees and then only 8 percent of them were economically disadvantaged individuals.

One of the things that I have been told by the minorities is that they are really down on public service employment. First, they can't get the jobs. Second, once they get the job, they look at it as a dead end, as soon as this thing is over, they are out of a job, they don't have training or anything.

Will you respond to that because that is what is shown, not in title I or title II, but title VI, the minorities have not been given very much help.

Secretary MARSHALL. That is one of the reasons we are concerned about trying to do some more categorization because some groups have not received relatively as much attention, particularly in some places. If you leave it up to the local prime sponsors entirely, they determine the mix of the program.

If your objective is to try to reach particular target groups you have to do some targeting or you won't be able to do that. You have to think about mechanisms that might make it possible for you to accomplish that objective.

It seems to me that the provision in title VI which makes it possible to subcontract to private nonprofit organizations to do things is desirable because you frequently get less substitution that way and you are more able to target on special groups without dealing with the restrictions that are likely to be imposed by local units of government.

A good example in that is what happened under the Emergency Employment Act contrasted with some of the activity under Operation Mainstream. In Mainstream you got almost entirely disadvantaged people, particularly the Green Thumb program; whereas you find 10 or 25 percent disadvantaged participating in the public employment programs.

I think with their very nature that local units of government are likely to hire people like other sectors hire. They are likely to use any money you give them; they are likely to use all the rest of their money. If they have not been hiring disadvantaged, you have to do some targeting to get them to do that.

Mr. QUIE. Green Thumb is an outstanding program to hire people in need of jobs in the country.

Let me go to one other point. I agree with you on your emphasis on Vietnam era veterans. The handbook requires the prime sponsors to report veterans in one of four categories: Recently separated veterans, special veterans, other veterans, and disabled veterans. They

also said in the handbook that the applicants shall be reported in as many groups as possible.

That leads me to believe that double counting, the situation with veterans is worse than it appears because of the double counting.

I would urge you to look at that as well and try to correct that problem. I can understand giving services to more than one group, but I want to encourage you that the situation of veterans may be less worse than the information by the Department indicates.

The last point I would like to make refers to a group you have not mentioned when you spoke about the four groups, veterans, migrants, women, and Indians. In the last 20 years two-thirds of the increase in employment has come from women, a new phenomenon in this country. Much as we might want to go back to the old values where women staved in the home until the children were grown, 39 percent of the mothers of children 6 years of age and under are now working. We are not going to change that.

I know your administration is looking at improving welfare programs, but women would much sooner work than be on welfare. So, work on job creation programs means that is another area of tremendous importance for us to develop because, when you have a bad economy, the blacks lose their jobs because they were the last hired, women came into employment later so that happens to them as well as youth.

I wonder if you would like to respond.

Secretary MARSHALL. Yes; I would like to because I thoroughly agree. We do need to give special attention to the problem of women. We are doing that in all these programs we are talking about, especially the youth program. We have already started strengthening the Women's Bureau and bringing it more into the basic policymaking process within the Department with a view to getting concerns for women's problems in all of our programs.

We don't think that you ought to separate it. We think it ought to be an integral part of our decisionmaking process. We have a new Director of the Women's Bureau who probably will be announced today. We have already started strengthening the role of the Women's Bureau in the Labor Department in order to accomplish these objectives you have outlined to deal with those problems.

Mr. QUIE. In the long run I hope you will look at child care services along with this. I have reservations about this child care service. Thank you, sir.

Mr. BEARD. Mr. Myers.

Mr. MYERS. Thank you, Mr. Chairman.

Mr. Secretary, I apologize for being late and missing part of your presentation. I only have one question.

I am interested in the summer youth employment program under CETA with a $5,500 limitation so that it affects my area where a lot of youngsters don't have opportunity to take part in summer jobs.

How do you feel about that?

Mr. HEWITT. I missed the limitation you made.

Mr. MYERS. Family income of $5,500.

Mr. HEWITT. The program under title III stipulates youth of poverty families. That is the guideline. I guess $5,500 for a family of four.

Mr. MYERS. I realize that. I am saying in a city like the city of Philadelphia $5,500 is really no money at all. And the children are not given an opportunity to participate.

Secretary MARSHALL. I understand your question now. I think anytime we have a program with a limited amount of funds, as all the programs have, you have to do some targeting. I think there will be some geographical discrimination in those programs. $5,500 in some places gets you most people in those areas and in other places it does not.

I think we need to give attention to that to see if we are excluding people in need. One of the ways we intend to deal with that problem is to get a much better measure of the adequacy of different levels of income in different places.

We have a commission as you know, that has been mandated by CETA that we are going to establish to look into those kinds of questions. We are worried about unemployment statistics as well as other labor market indicators because these are now used in the allocation of funds and to establish ceilings.

The real question is: Does that really encompass enough people, or is it unfair to particular areas both on the unemployment side and when you start looking at income and converting that to real income rather than simple money income?

Mr. MYERS. Thank you.

Mr. BEARD. Mr. Jeffords.

Mr. JEFFORDS. Mr. Secretary, I would like to address the long-term problem of unemployment for young people. Statistics indicate that our unemployment rates of the young are more than double what they are in other categories. I know our society has undergone changes in the last 30 years, partially generated by the draft, partly by the women in the labor market that Mr. Quie was referring to. We are also removing some age discriminations at the other end and allowing our elderly citizens to work longer.

I wonder if you believe that, when we do get to some targeted unemployment rate of 4 or 5 percent, whether we can anticipate that we are going to still have a rather large unemployment rate with our young people and, if so, whether the present programs will serve the purpose of reducing that unemployment rate and putting people into productive work?

Secretary MARSHALL. I hope the unemployment rate for young people declines with the overall unemployment rate. You still will have a differential. I hope the problem gets more manageable as we get to lower levels of unemployment. I do not think present programs will be adequate to deal with the problems of young people. I think we need to do a great deal more than we are doing to pay attention to the relationship between school and work and to strengthen that relationship so that people are more adequately prepared throughout their formative years and in the education system for work.

I think we know how to do that; I believe we do. There are organizational problems that make it difficult for us to do the kinds of things that need to be done. We are working with the Department of HEW in that area as well as in the welfare reform area to try to strengthen the job preparation of young people so that you won't have to have remedial programs.

With most of our programs now we are trying to remedy what happened in school. Having come out of academia, I know a good bit about the problem. I think one of the main problems is that anybody in an academic setting who can do anything is suspect. So there is a monumental bias against preparing people for work; too much on preparing people for the next level of education and not for the world of work.

I think we can do a lot there to strengthen those relationships between the work environment and the educational community so that it will be more relevant, and the training and education that young people get will really train their intelligence and make it possible for them to participate in the work situation. That is not the case now and that is one of the reasons that we have gone through a lot of these remedial programs.

Mr. JEFFORDS. With respect to that, I know at least in the vocational education area and also in other areas, the information base we have to find out whether the programs are working or adequate is very insufficient. I believe statistical information presently with young people does not seem to be very adequate.

Is there anything that is being done to try to improve our knowledge of exactly what the situations are for young people?

Secretary MARSHALL. Yes; the Bureau of Labor Statistics has some programs to try to improve our statistical base. This commission I mentioned on unemployment statistics will pay a lot of attention to that question.

One of the real problems with the labor market information has been that too often the statistics were not designed to make functional decisions. They are simply designed to publish and indicate general levels of conditions for people.

This is particularly true with the statistics that you need to make a statement about improving labor markets, improving the relationship between labor markets and training institutions and match up jobs with the people available.

You get inadequate information on the characteristics of people. You get inadequate information on the kinds of jobs that are likely to be available in a labor market.

One of the best indications of the extent to which people have not been concerned about matching up people in jobs is that we don't have adequate statistics on job vacancies. I think we need to pay a lot of attention to that. Also, the supply statistics that tend to be developed by educational institutions tend to be defined in totally different terms from the demand statistics produced by the Bureau of Labor Statistics.

Much of our information is on an industry basis. Much of theirs is on an occupational basis. It is hard to get a matchup between demand and supply if you have statistics developed that way.

We think there is a lot you can do both to make the information more current, relevant, and to improve and perfect the measures that we have to indicate the conditions of different people within the labor market.

We are also not going to be able to solve problems we don't know about, so if we don't have better information, we are not likely to make the operational decisions that we have to make to improve the labor market.

Mr. JEFFORDS. Thank you very much. I agree, if we don't have the information, it is very difficult to design programs to solve the problems.

Mr. BEARD. Mr. Le Fante.

Mr. LEFANTE. Thank you, Mr. Chairman..

You know, Mr. Secretary, usually about now we are ready to invoke the 5-minute rule.

You talked about inadequate information. I have read some varying reports, and they differ somewhat as to the procedure used in developing unemployment statistics. I have read that many times. The official figures that are released are predicated on the available work force that is seeking employment, and without success.

I have read some other reports that if we were to consider those unemployed that display no ambition in seeking employment or had no desire to seek employment, that the figure might increase by some 40 percent.

What steps has your department taken to establish a national commission on unemployment statistics as authorized in our 1976 amendments?

Secretary MARSHALL. We have taken steps to identify people to serve on that. The chairman will be announced very shortly.

We have also been developing beyond that the basic kinds of concepts that we think the commission ought to deal with and how it will relate to our ongoing work, because we don't want to wait 18 months to get the benefit of whatever we want to do. We want to work on those priorities first so that we can get the information and get the help of that information as soon as we can do it.

We will give it a very high priority, as I think we need to deal with unemployment staitstics which are not very satisfactory from the standpoint of understanding the looseness or tightness of the labor market and questions like the one you raised as to how many people really want to work.

We need to have more attitudinal information about why people won't take some jobs. I think people would rather work than be on income maintenance. I know there are some exceptions to that, but I don't believe there are many. Every time a few jobs open up, it is obvious they get swamped by applicants. In many cases, you have situations in the same area where you have a high unemployment rate according to official statistics, and employers tell me they have trouble getting workers.

We need information why those people won't take those jobs if we are to develop a program to deal with it.

Mr. LEFANTE. Hopefully by 18 months, we will be out of this dilemma.

My second question is something that Chairman Perkins brought to mind when he made reference to the previous administration. If my memory serves me correctly, sir, the Truman-Kennedy-Johnson administrations did set goals for unemployment levels. In the past few weeks, we have heard it referred to as goals within goals.

I know that the Eisenhower-Nixon-Ford administrations had no goals with regard to the unemployment levels. This is history. It is a matter of record that the Johnson-Kennedy-Truman administrations were very, very close to attaining their goals, whereas during the other

administrations I made reference to, the unemployment level was very high at all times.

We have had some dstinguished economists appear before this subcommittee, both in and out of Government. They have opposed the Congress setting any level of unemployment as a target goal.

Do you feel setting an unemployment goal, as does H.R. 50 and similar legislation, is desirable and if so, why?

Secretary MARSHALL. I think it is desirable to set goals. I am not sure about which figure.

One of the problems with setting any figure based on our present unemployment measure is you don't know whether you are improving or not. It is possible for unemployment to go down and things getting worse in terms of people not working. If you have a lot of people looking for work combined with lower unemployment that does not mean that conditions are necessarily better as a result of that low level of unemployment.

I can tell you what condition I like to see, and maybe we will be able to work backwards from that and say whatever that is.

Mr. LEFANTE. How do we get there?

Secretary MARSHALL. How to get there. My view is you get full employment when nobody has to look for a job very long. That means, in economists' language, you are talking about fractional unemployment. You are down to that.

I think there are things we can do to provide better information to workers seeking jobs so that the time between jobs will be a whole lot less; it will provide better information to employers about characteristics of workers. All those things seem to me to be important.

I think if we don't establish some goals, it is hard to know in which direction you want to go. Therefore, these are targets.

Now what kinds of goals we ought to establish is a thing I am still thinking about. It could well be that instead of talking about unemployment and using that figure nationally, which does not define all you would like to, you would be better to establish other objectives that would accomplish the same thing without looking at that one figure.

You might have a goal, for example, that one member of every family have a good job at least. I don't know what the unemployment level would be. But I think that would be a desirable objective if you were able to get to that.

Mr. LEFANTE. How would an objective like that compare with the present labor market?

Secretary MARSHALL. In the first place, we don't have the numbers. That is a problem I have in trying to work this whole business out. Some families have two or three people with good jobs and some don't have any with good jobs. I think the important unit for us to work with is the family as a unit, not parts of families.

Mr. LEFANTE. In the old days, if you had practiced that philosophy, you would have been called a political boss. I come from Hudson County, N.J., and we did have some political bosses. Frank Hague wanted one person in every family employed. He went down in history as the boss. I have to be very careful how I explain that publicly.

On page 4 of your testimony, the last paragraph, you state that "The President's program is designed with the premise that a careful mix

of stimulative measures is needed to strengthen the economy and that the key to economic improvement must be found in the private sector."

I think almost everyone I spoke to in this Congress agrees with it 100 percent. Accordingly, we assume that there will be some tax benefits brought forth to stimulate the private sector. Some of us wonder what assurance we and the American public will have that the benefits will be or can be converted into job creation and particularly training.

Also, Congress doesn't think there is enough emphasis put on training. What assurance do we have if there are tax benefits for the private sector that these benefits will be converted to employment?

Secretary MARSHALL. One of the reasons I prefer direct public service employment and training as a method of bringing unemployment down is because we don't have the assurance of what people are going to do with the tax rebate.

Our assumption is, and there is evidence to support this, that people will get the money and they will spend most of it or at least part of it and that will stimulate sales and cause businesses to expand their employment.

The trouble with that, of course, is that it is very general. You don't have the assurance that people won't save the tax rebate or that it will be spent in such a way as to increase the number of jobs. The reason we decided on the tax component of the recovery package was that after we had done everything we thought we could reasonably do with the public service employment and training component and other direct expenditure components, we recognized that more stimulus was still needed. Therefore, the decision was made to use tax incentives partly because of the feeling that it could be done quickly even though it is generally recognized that was not as efficient as the public service employment component.

Mr. LEFANTE. Mr. Secretary, as Secretary of Labor, are you personally satisfied that there is enough emphasis on training and we are going in the right direction with our training philosophy?

Secretary MARSHALL. I am personally satisfied that we are. We, of course, as part of the program, are strengthening the training component. We are doubling Federal involvement in apprenticeship, for example. I have strong commitments to apprenticeship and training techniques.

We are going to increase on-the-job training programs, which I believe also are an effective and relatively inexpensive way to train people. The youth program will also have a strong training component.

Mr. LEFANTE. I am not an optimist. I think we could be putting more time and effort into restoring an emphasis on training particularly for our youth, because they are the future work force.

Thank you, Mr. Secretary.

Secretary MARSHALL. Thank you.

Mr. BEARD. Mr. Weiss.

Mr. WEISS. Mr. Secretary, your statement on page 8 refers to the problem of youth unemployment. I wonder whether the program that we are embarking on really meets the need that is so clearly outlined. We are talking about 3.2 million unemployed jobseekers. You say that for minorities, the rate of unemployment is presently 36.1 percent.

You say the problem is not only severe in magnitude, but chronic in duration. You say the situation is almost the same now as it was a

year ago. Given that as a description, are you concerned about the fact that the economists are talking about stimulation of the economy much more than they are about the creation of jobs?

Are you concerned about that? What do you think we ought to be doing, not in the long run, but in the immediate run, to get more of those 3.2 million unemployed young people to work.

Secretary MARSHALL. Yes, I am, Mr. Weiss. I am concerned about job creation and targeting on young people as a special problem.

As I mentioned, the main thing we are doing is trying to use the existing programs within the framework of CETA to do as much as we thought we could prudently do in the time we have with youth programs. We are simultaneously planning a youth initiative. We have to look at the kind of things that have to be done in order to reduce youth unemployment. That means we have to coordinate a lot of our activities with other agencies of Government, in making meaningful jobs available to them.

We have talked, for example, with the Secretary of Agriculture about using young people in forests to do useful things that have to be done where they have real problems because of an inadequate labor supply. The national parks have similar problems.

There are many other areas where other Departments can identify people and can help us put them to work in useful ways. Looking on the supply side, we need to be concerned about relating our work programs to the education system. Many of these young people could be put into training programs and may be encouraged to go back to school with some combination of work and training program that would make it possible for them to stay in school.

As I said at the outset, I am not satisfied with what we are doing, but I think we are doing all we can within the short period of time that we have. Our plan is to give careful thought to that and try to come up with a much more comprehensive youth program later.

Mr. WEISS. Chairman Perkins referred earlier to the situation in his home area. We have had witnesses here from counties in Kentucky. Their testimony along with the testimony of the mayors of Newark and Birmingham, Alabama has indicated that they could put many more people to work immediately to do public service-type jobs.

What I don't understand is why the Government does not consider the judgment of those people at the local level to know what their immediate needs and capacities are. Is not their judgment more accurate than that of the people in Washington, the economists, as to what can or cannot be realistically done?

Secretary MARSHALL. We pay a lot of attention to the judgment of economists as to what we can do with public service employment and training programs, our capability to carry out our responsibility under the act, which is to be sure that the programs are adequately accounted for and the work is meaningful; to give some managerial and delivery mechanism and responsibility, because if we don't do that, if we don't have that kind of accountability, that, I think, will diminish——

Mr. WEISS. I agree with that. These are the people who are doing the work and who are responsible for overseeing the creation of those jobs and making sure it is operating. They are telling us we could put a lot more people to work. We ought to have more reliance on their judgment.

Secretary MARSHALL. Let me also say I have reliance. I had to put this together before I got on the job, so I didn't have the benefit of talking with them; but I have now.

We are trying to look at the flexibility of the system. Our assumption all along was that we would reexamine, if we needed to get more stimulus, we could get it.

The next time I come up with a problem, I will be a whole lot better prepared to deal with it.

Mr. WEISS. I have one final question in an area we have not touched on. I am not sure it is in your jurisdiction.

Specifically, that is the problem of older Americans. Apparently, there has been a regulation change or law change in the past 6 months or so which, under the Older Americans Act, removes the requirement that 75 percent of the jobs are to be public service jobs. I understand there are older people who are going to be losing those jobs because the funding is being cut off.

Have you addressed yourself to that problem?

Secretary MARSHALL. Yes, we have. I believe strongly in targeting programs to older Americans. I think the green thumb program and mainstream are excellent programs. There are many more things we can do.

The particular problem relates to the Development Act program for older Americans rather than the programs like green thumb. All we are going to do is to take up as many people in our program as possible by expanding those programs.

Mr. WEISS. Thank you.

Thank you, Mr. Chairman.

Mr. BEARD. Mr. Secretary, how does the illegal alien problem affect the programs that we are considering today and what is the administration doing in this area?

Secretary MARSHALL. I think it has an important bearing on it. My own view is that we could counteract all that we are talking about here today very quickly with the elimination of a lot of people who will take more jobs or reduce employment more than we increase it.

I think it is extremely important for us to integrate immigration policy and employment policy. Most of the people who come to the country come here to work. I think if we have legitimate labor market needs for people to come in from abroad, they ought to come in.

The administration is studying the problem. We have already worked on that problem within the Department of Labor, but it has ramifications much beyond the responsibility of the Department of Labor.

Our main concern is that the legitimate concerns of all parties involved in that process be adequately met before we develop any kind of policy to deal with it.

Mr. BEARD. Mr. Secretary, if we gave Mexico a fair trade proposal, would that help the situation?

Secretary MARSHALL. In my view, we are doing that now and what we sometimes do with our trade programs is that we are in fact giving aid to Mexico by taking the people.

I think on the trade matter, a good bit depends on how you do it. The people who are giving aid to Mexico and other countries now are

the ones who can least afford it; that is, low-income workers who suffer also because of trade that destroys their jobs.

My view about that is if it is in our interest to give aid to Mexico, we ought to try to minimize it; do it in such a way as to minimize the impact on the people in the United States who can least afford it. It is very important to do whatever we can to try to help Mexico and other countries develop themselves, because it is in our interest, in the long run, for them to have conditions which are much nearer our own than they are now.

Mr. BEARD. I have one final question, Mr. Secretary. I know the chairman of this subcommittee will be very interested in your answer on this.

As you know, the subcommittee also has the jurisdiction over the equal employment opportunity laws. What plans do you have for improving the performance of OFCCP? Do you intend to promulgate the regulations introduced in the previous administration on contract compliance?

Secretary MARSHALL. We do not intend to promulgate those regulations What we are doing on the first part of it is to try to do whatever we can to strengthen the administration of OFCCP.

Simultaneously, of course, we are considering the possible relationship between OFCCP and other antidiscrimination activities within the Federal Government, because this will undoubtedly come up in connection with reorganization.

I am sure there will be some recommendation that the equal employment opportunity responsibility be consolidated in one place. My only hope is when they do that they don't consolidate it outside the Labor Department, because I think we have to coordinate employment and training activities with our equal employment opportunity activities if we are going to deal effectively with it.

We might still be able to coordinate with an agency outside the Department of Labor, but I think it would be more difficult to do it.

Mr. BEARD. Thank you, Secretary Marshall. On behalf of the members of this subcommittee and certainly the chairman, we thank you for coming here today to express the viewpoints of the Department of Labor and the administration.

The subcommittee will stand in recess until March 2d at 9:30.

[Whereupon, at 11:20 a.m., the subcommittee adjourned, to reconvene Wednesday, March 2, 1977 at 9:30 a.m. in room 2257.]

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

WEDNESDAY, MARCH 2, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2257, Rayburn House Office Building, Hon. Augustus F. Hawkins (chairman of the subcommittee) presiding.

Members present: Representatives Hawkins, Weiss, and Sarasin.

Staff present: Susan Grayson, staff director, Carole Schanzer, clerk; and Nat Semple, minority legislative associate.

Mr. HAWKINS. The Subcommittee on Employment Opportunities is now called to order. This morning's hearing is a continuation of the series of hearings that we have had on H.R. 50, the Full Employment and Balanced Growth Act of 1977; H.R. 2992, the authorization of appropriations for the Comprehensive Employment and Training Act of 1973, and the President's economic stimulus package.

Before proceeding to introduce the first witness, I would personally like to thank Congressman Beard, who happens not to be present, Congressman Weiss, as well, who does happen to be present, for carrying on the last two hearings during my absence. Also the other members of the committee have been very cooperative during the time that I was unfortunately detained elsewhere.

Mr. WEISS. Mr. Chairman, we are delighted to see you back.

Mr. HAWKINS. They tell me things went on much better in my absence.

I am very, very pleased to present the first witness before the subcommittee this morning, Gov. Richard Kneip of South Dakota, who is representing the National Governors' Conference.

Those of us who have been aware of Governor Kneip's record in South Dakota are obviously very pleased at his presence this morning and look forward to his testimony.

We do have a prepared statement from the Governor and without objection, that statement, as such, will be entered into the record, at this time.

[The statement referred to follows:]

Prepared Statement of Hon. Richard F. Kneip, Governor of South Dakota

SUMMARY OF GOVERNOR KNEIP'S TESTIMONY

1. 725,000 jobs for fiscal year 1977–1978 reflects a reasonable number of positions that can be developed and filled in an orderly manner.

2. Forward-funding of PSE programs will help assure rational planning and implementation.

3. Governors want a new title under CETA for youth programs for ages 16 to 22.

4. Youth program legislation should allow state and local governments to prepare strategies which best address the needs of their youth.

5. Governors should have 20 percent of the youth funds to develop comprehensive and coordinated programs and linkages.

6. Job Corps should be increased to $400 million and tied closely to the local CETA program.

7. Distribution of funds should be based on 50 percent youth population and 50 percent poverty incidence in the prime sponsor's area.

8. A simple extension of CETA seems appropriate so attention can be devoted to youth employment initiatives, the CETA-Employment Service interface, implementation of the Voc-Ed amendments, and welfare reform.

The Hon. Augustus F. Hawkins, Chairman: Good morning, Mr. Chairman and members of the Committee. I would like to thank you for this opportunity to present the Governors' observations on a variety of employment and training programs. I present my comments as Chairman of the National Governors' Conference Committee on Human Resources, and as Governor of the State of South Dakota.

The nation's Governors are pleased to see the new initiatives that President Carter has taken regarding new funding resources for job and training programs. Although the National Governors' Conference does not have a position on the exact number of jobs which should be funded under Titles II and VI of CETA, a survey taken by our staff indicates that the 600,000 positions in Fiscal Year 1977, and the additional 125,000 in Fiscal Year 1978, reflect a reasonable number of jobs which can be developed and filled in an orderly manner.

We are particularly pleased to know that the House Budget Committee has made provisions to forward-fund the program. This action will help immeasurably to assure a rational planning and implementation schedule for the program. The uncertainties of past funding patterns have been detrimental to smooth program operations, and have resulted in a disservice to the beneficiaries.

In the area of youth employment, I have some concerns I would like to share with you. The Governors have qualms about the planned utilization of the funding authority under Title III of CETA to finance a new youth initiative. There are two reasons for our concerns. First, the rationale that the youth initiative belongs exclusively in the overall economic stimulus package is doubtful. While it is true that youth unemployment rates are exacerbated during periods of high unemployment, the transition from school to work for young people has been a consistent problem for at least the past 15 years. I think it is safe to assume that even after the country recovers from this recession, the problems of youth unemployment will remain with us. Action taken by Congress and the Administration should look beyond Fiscal Year 1978 and short-term economic stimulus programs.

Second, it is our concern that a heavy reliance on the authority of Title III for the youth initiative and other smaller categorical programs will do little to strengthen and improve the basic manpower programs at the state and local level. The passage of the Comprehensive Employment and Training Act represented a major step forward in this country. Chief elected officials are now held accountable to their voters for the programs; plans can be more easily tailored to meet the needs of various regions of the nation, be they Pierre, South Dakota, Boston Massachusetts, or Denver, Colorado; integration with other state and local programs can be more easily realized; and citizens who represent a wide variety of interests help in the decision-making process. The oversight hearings held by this Committee last year documented these strengths. In dealing with the problems of youth unemployment we need to build upon these strengths to develop an approach which addresses the entire national situation while allowing state and local governments to prepare strategies which best address the needs of their youths as they make the transition from school to work. The approach

must address both the demands of the local labor market and the critical employment and training needs of young people who live in the area.

The Governors believe that the best way to deal with this problem is to establish a new title under CETA for youth programs. This title should be implemented in fiscal year 1978. We urge Congress to seriously consider the proposal outlined below.

We urge Congress to create a new title within the Comprehensive Employment and Training Act specifically geared to youths between the ages of 16 and 22. This age group has the highest unemployment rate. Creating a separate title will have two advantages. First, it will insure that funds intended for youth are used for just that purpose. Second, its incorporation within CETA will assure that the flexibility needed to serve local situations is achieved through a proven coordinated mechanism. Prime sponsors, because of their proximity and past experience can best utilize the funds to benefit youth in their local areas. Local planning councils and state manpower services councils have also developed expertise and an awareness of the programs, capabilities and political realities within a state, and they can be used without creating any new federal mechanism which would not be as aware of local situations.

To further assure the most comprehensive and coordinated program, it is essential that 20 percent of the funds be directed to the Governor in order to enable his or her office to coordinate efforts of the state education system, the correctional system, the apprenticeship programs, the Employment Service, CETA, rehabilitation services, national and state forest parks service projects, and the myriad of other employment and training activities within his or her State. These programs would then be meshed with current federal programs. It is crucial that overlap and duplication be avoided.

This is also true of Title IV, the Job Corps Program, which should continue as a part of a comprehensive youth program. We urge that the appropriation for this Title be increased to $400 million, in order to expand its availability to those youths who desire placement and would benefit from this program. We recognize that for some youth, a residential program is a good alternative for a period of time. Therefore, we support the expansion of the Job Corps, with the provision that recruitment is tied more closely to the local CETA program. In that way, the individual youth will have as wide a range of alternatives available to him or her as possible. We also would like the Department of Labor to look to Governors to help in the expansion of the Centers.

Local prime sponsor advisory councils and the State Manpower Services Councils are developing a knowledge base concerning the resources and needs in their own communities, are also good sources of expertise. While these are not perfect structures and can be improved, we believe that any new structures would only fragment programs and diffuse responsibilities.

To effect the most equitable distribution of funds under the new title, the formula should be based 50 percent on the youth population of a prime sponsor's area and 50 percent on the incidence of poverty in that area. The poverty level would be based on the household income at 125 percent of the existing poverty level. We are perhaps being more brave than some by suggesting a specific formula, particularly without access to a computer run on the potential effects of the formula. However, we suggest these two factors—absolute number of youth and 125 percent of the household poverty level—because we know the statistics exist to make the appropriate calculations. This would not be true of such a statistic as the youth unemployment rate, particularly in the rural areas. Also, the formula should target the funds where they are needed the most—in the inner cities and poor rural areas—but not ignore any area. The formula under the other current titles of CETA would not sufficiently funnel the monies as appropriately as the formula we suggest.

Let us now turn to the recommendation that 20 percent of the funds be allocated to the Governors. We believe that this is needed in order to provide for the expansion, coordination and the establishment of clear policy direction among the various training and educational programs designed for youth. It would also allow for the development of good information on labor market characteristics and career opportunities for our young people. Lastly, this funding would permit greater attention to the youth groups with special needs. For example, young people who are wards of the State in correctional institutions, or who are drug abusers who have been ordered to participate in drug programs by the courts, could be better served by a coordinated program.

I would like to emphasize the necessity for retaining flexibility at the state and local level. Funds do need to be available for the Secretary of Labor to institute research and demonstration programs, such as the Skill Training and Improvement Program suggested by Secretary Marshall. However, targeting our resources to the individuals most in need of service is not always best accomplished through an emphasis on categorical programs. We would hope that the federal Department of Labor improves its own capabilities to provide labor market information, its own monitoring techniques, its overall evaluation capabilities, and resolves some of the conflicts between the Employment Service System and CETA system before developing yet a third track of national programs.

Let me cite an example of the danger of over-targeting at the national level. Neither I, nor any other Governor to my knowledge, am opposed to providing services to veterans who have served our country. However, a national goal of 35 percent for all Public Service jobs for veterans is unrealistic, particularly if the goal is to be even more detailed to disabled veterans, then 20–24 year olds, then other Vietnam era veterans, then all other veterans. The young men and the few women who would qualify are not evenly geographically distributed, nor are all of them in need of services over and above that which is available from the Veterans Administration. Local planning and targeting of resources could very possibly indicate that the highest priority for that area would and should be for female heads of households, due to their high entry or re-entry into the labor forces, rather than the veteran.

I would like to turn your attention now to the reauthorization of the CETA legislation. The National Governors' Conference has no specific time extension we would suggest, but certainly a simple extension of the authorizing legislation seems appropriate. I would say that there are many areas of CETA which we ultimately would like revised, especially in strengthening the role of Governors. But it is our view that part of the solution is to address some of the immediate issues confronting us, such as youth employment, then we can address other revisions in the near future. The rationale for a simple extension from a Governor's perspective is this: High on our agenda is welfare reform and an integral part of any welfare reform program in this country must include a strong jobs and job training component. I will leave with you today, Mr. Chairman, a copy of the Conference's welfare reform program and I am sure you will be most interested in the work training and job requirements section. We are suggesting that we need to build in the experience of the WIN program, CETA and Title XX of the Social Security Act. There will be more appropriate times to discuss this proposal in detail.

Yet another reason for delaying a substantial revision of CETA is that legislative review is needed regarding the appropriate role of a public service employment agency system. This area reserves resolution prior to re-enactment of CETA. Currently NGC is commissioning studies on just this issue and our Committee hopes to have recommendations regarding the federal-state relationships regarding the Employment Service by the end of this summer. We will be anxious to share our recommendations with you and other appropriate Congressional committee at that time.

If Congress were to generously accept all of our recommendations regarding the establishment of a new Title under CETA for special youth legislation, this would be yet another reason to delay any major rewrite of the core Title I component of CETA.

Another consideration supporting delay is that we are only a few months into the implementation of the Vocational Education Act of 1976 which allows all of us to develop better bridges between the states and local education communities and the CETA system. A year from now we should all be able to identify what changes, if any are needed in the CETA legislation which could be more supportive of the companion vocational education systems.

Mr. Chairman, I am aware of your interest and concern regarding the needs of all the unemployed in this country. The Governors share this concern and want to help seek resolution. We appreciate the fact that the current H.R. 50 legislative proposal requires the federal government to consult and work with state and local units of government. NGC has already commissioned two studies regarding the appropriate state roles and responsibilities in a full employment economy. Publication of these two initial studies is expected later this month. One specifically addresses tools currently available or needed to mesh economic development and manpower training resources and the other addresses state government responsibilities during times of recession. Information garnered from

these two initial studies, plus other analytical studies currently underway, will all be carefully considered by the Human Resources Committee of NGC and we will be prepared to offer to the Conference as a whole a comprehensive policy statement for its consideration yet this year.

Thank you Mr. Chairman, and members of the Committee for your time.

Mr. HAWKINS. Governor Kneip, we welcome you and look forward to your testimony this morning.

STATEMENT OF HON. RICHARD KNEIP, GOVERNOR, STATE OF SOUTH DAKOTA, REPRESENTING THE NATIONAL GOVERNORS' CONFERENCE, ACCOMPANIED BY JOAN WILLS, DIRECTOR OF EMPLOYMENT AND VOCATIONAL TRAINING FOR GOVERNORS' CONFERENCE, AND GORDON BOE WITH THE STATE PLANNING OFFICE

Governor KNEIP. Thank you, Mr. Chairman, Congressman Weiss. It might be appropriate for me, in representing so many Governors in this endeavor, to introduce to you two staff members, Mr. Gordon Boe, South Dakota, State Planning Office, and Joan Wills, who is director of employment and vocational training in the National Governors' Conference.

I asked them and some other staff members to be present today. I certainly don't intend to read the testimony, if that would be all right with you.

Mr. HAWKINS. You may proceed as you so desire.

Governor KNEIP. It might be helpful to you to know, in my capacity as chairman of the Resources Committee, I was given that job a short time ago. There has been a shuffling since Governor Andrus has become Secretary of Interior, Governor Askew of Florida moved into the chairmanship, and I was appointed to take this position.

All of the committees we have before the National Governors' Conference, if one might be broken up later it would probably be this one, because our committee deals with Health, Education, and Labor problems, so you can imagine the resolutions and the interest of the Governors for all of these subjects within the National Governors' Conference. We just concluded that conference and we have passed resolutions and policy statements in many of these areas.

I feel a little inadequate sometimes on some of these issues, and I hope you will bear with me. We like to think, in South Dakota, we don't have all of the problems we have in the other States—I am getting quite an education.

Simply put, the Governors are very strong and unanimous, I might say, in saying they would like a simple extension of CETA but I think there is a lot to be said about that. As you can tell from the summary sheet there, the particular interests that we have—we would like a separate title dealing with youth. Again, there seems to be particular emphasis by the Governors with that thought. In doing so, if we were able to have a new title under CETA for youth between 16 to 22.

The Governors would also like some discretion and have indicated in their policy statement, that approximately 20 percent of those funds, set aside for State government, they would like to have those to develop comprehensive and coordinated programs and to have flexibility.

I might just say in looking directly at that, whether it be education or correctional problems or jobs in conservation areas or whatever, the

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Governors believe if there were more flexibility, we could get to the problems of employment of our youth more directly, and they would like to be given the opportunity to do that and be graded accordingly by the Congress in asking for that.

You might note they have spoken directly to the distribution of funds looking to populations of youth, and then the incidence of poverty—have even gone further to that and spelled out they would like 125 percent of the household income as related to poverty as a part of that formula, and they speak to the number of jobs in forward-funding of all areas, but I only want you to know they have asked me directly and strongly to indicate their interest in these areas—increased funding, increased attention to these areas.

They have picked out Job Corps programs, for example, and asked that the program be doubled, investment of an additional $200 million. That is precisely why I am here.

I think the time might be better taken if you care to ask me something about this.

Mr. HAWKINS. Thank you, Governor.

You are to be commended on an excellent statement. I haven't had an opportunity to read your prepared statement in advance. However, there has been several questions suggested, it seems to me in the summary of your testimony that you presented to us.

The first is with respect to the number of jobs. I notice that the statement that "725,000 jobs for fiscal year 1977–78 reflects a reasonable number of positions that can be developed and filled in an orderly manner".

Various groups have indicated how jobs could rapidly be developed within the next 90 days, so what I am trying to do is try to find out whether or not this would be the total capacity of all of those groups to develop that number of jobs or whether these are the jobs that are directly related, in some way, to the States?

Governor KNEIP. Well, I think their interest in picking out that number was—correct me if I am wrong, Joan—the number right now is approximately 310,000. In fiscal 1977, they thought it appropriate to go to 600,000, and in fiscal 1978, another 125,000. I think another thought is reflected here, too. They believe much more could be handled. They simply picked out what could be an immediate figure projected to you that could be handled quickly, but more than that that—I have heard that they would like more than a million, but again, the cost——

Mr. HAWKINS. Let me rephrase the question then. What I am asking is, have the States themselves made any inventory of the number of jobs they alone could handle, apart from what the cities may be able to do?

Governor KNEIP. I don't think so.

Mr. HAWKINS. What about any other local agency? We can handle this very informally. Do you wish to have your associates testify directly?

Governor KNEIP. Yes.

Ms. WILLS. We did do a particular survey. Fourteen States did respond to the questions, and three questions were asked in that survey over and above that which was completed for the Senate Budget Committee. One was a reasonable kind of time frame in terms of the devel-

opment of the jobs, what kind of information did you need in knowing how much money you were going to have, and what did you perceive the criteria to be in terms of the public service program, whether or not that would generate any kind of constraints in terms of the jobs.

Basically, the answers came back—at least half of those States also surveyed their own local prime sponsor simultaneously. From that we made a projection there could possibly be handled 1,100,000 or so jobs in some kind of orderly fashion, and we would like to underscore the words "orderly fashion." You can develop jobs in 90 days, but whether or not they are the kinds of jobs that are worthwhile and such things as fiscal systems are in place, is the question. The conference itself did not take a particular position as to whether or not they wanted a million plus jobs because they thought that it needed to be balanced with other kinds of possible economic stimulus activities, such as public works, special revenue sharing, et cetera, but with the forward funding, which I think came off as loud and clear as anything, if they knew that the money was going to be available, they could begin to develop the jobs.

Mr. HAWKINS. Thank you very much.

Governor, with regard to the recommendation you made concerning the creation of a new title for Comprehensive Youth Employment, do I understand that you also would have the Job Corps made a part of that title?

Governor KNEIP. Yes.

Mr. HAWKINS. I see your statement also deals with veterans' preference. Would you elaborate on the position of the Governors Conference on veterans' preference?

Governor KNEIP. This may be one area I am not familiar with because of my newness to this job. As I understand it a target percentage was set at about 35 percent. We think that is a little unrealistic in the sense of breaking that down to young veterans, disabled Vietnam era and all of that. In a State like mine, you can't fill that need, and here again, it indicates the need for some flexibility in moving to other areas because that need might be very great in one particular State and not in another, so I think what we tried to do is play down the fact of setting such a high percentage on veterans, but more than that, it is the need for flexibility in dealing with the whole program.

Mr. HAWKINS. With respect to H.R. 50, the full employment bill to your knowledge has the Governors' Conference taken any position on this proposal?

Governor KNEIP. No, sir.

Mr. HAWKINS. I understand that they are in the process of making certain studies?

Governor KNEIP. Two studies are underway and we hope to have the information from those studies very soon, and I am sure the conference will be more than happy to share that with you at the appropriate time. It is really the reason they have not spoken to H.R. 50 at this point.

Mr. HAWKINS. Would you give us a little more specific outline of what the studies are?

Do I understand correctly that there are two study groups?

Ms. WILLS. Through our Center For Policy Analysis and Research, we have commissioned two studies. One, what would be the respon-

sibilities, as well as the possible role in implementation for a State in a full employment policy? We are trying to tie that into the economic development responsibilities that currently exist under a variety of other Federal laws, as well as State laws, in terms of their own taxing policies, et cetera.

The other study that we have already currently commissioned, is, what roles, and possibly what State actions can be taken in terms of economic recessionary programs? For example, capital investment programs of the State—how can they be used, if at all, appropriately, during periods of economic recession? Those reports will be out probably in another 60 days at the very latest and we will be presenting them to the Human Resources Committee of NAC in terms of delineation for a particular role and possible policy statement.

We are particularly pleased H.R. 50 does ask for involvement of State governments, recognizing the wide variation between the economies of so many different States.

Mr. HAWKINS. Thank you very much. That concludes my questions at this time. The Chair recognizes Mr. Sarasin, the ranking minority member of the subcommittee.

Mr. SARASIN. Thank you, Governor, for taking the time to be with us this morning. With regard to title VI, do you see a problem in filling the slots you are suggesting, rapid buildup of the program and concerning the eligibility?

Governor KNEIP. No, the indication I have is there would not be a problem.

Mr. SARASIN. You point out there might be a problem trying to dedicate 35 percent of the funds to veterans aspects. Do you think you have actually got the elements, so they would be spread geographically under title VI?

Governor KNEIP. Looking at my own State, it represents a problem in the sense the need is not so great with those particular people in my State. I can't speak for other States, but I did sense a general consensus among the Governors they thought that percentage had been set too high.

Mr. SARASIN. On the Veterans?

Governor KNEIP. Right.

Mr. SARASIN. I was wondering whether the same problem doesn't exist on title VI as well?

Ms. WILLS. The small States perceive they may have a problem, and the Governor can speak to that better. In the urban States, they do not anticipate a major kind of problem. There may be some administrative hassles in terms of the eligibility with the employment service State level working cooperatively with local sponsors. I think that can be worked out. We certainly are working on it.

Mr. SARASIN. You recommend an extension of CETA in order to work out some of the other problems. Are you recommending a 1- or 2-year extension?

Ms. WILLS. One year at least. I think one of our problems has been to let the States know what we are going to do for a longer period of time, and the simple request right now is for the 1-year extension.

Mr. Sarasin. There is no question that the lack of leadtime has severely hampered the States' dealings. How do you envision phasing

out public service employment programs? I am assuming, of course, there should be a phaseout at some point.

Governor KNEIP. I guess I am not in general agreement with phasing it out. I see a great need for that. When I turn to my staff back here, I have not been with it, I can't give you the general consensus of the Governors on that. Joan, can you help me out.

Mr. HAWKINS. May I suggest you be seated at the witness table since we are going to continue in this fashion.

Ms. WILLS. Thank you. My name is Joan Wills.

Again, going back to the survey, whether or not, regarding the specific question of the phaseout—the answer that came back from the States was basically, if we do have forward funding, and can plan on it, there are no problems at all about the development of 1-year project jobs, so that the individual knows that that is what they are talking about and the people responsible for implementing the program know that is precisely what it is they are talking about. Also, the State government, per se, has a better record of nonsubsidized placement. I am not trying to suggest there is kind of a once-upmanship when I made this comment, in terms of phasing in jobs in the unsubsidized—State government has a better track record, I think, that is understandable in terms of the kind of jobs available at State government. In no case did anybody indicate that was going to be a major crisis, phasing out, if and when that became a reality.

Mr. SARASIN. Do you anticipate the use of title I funds for title VI people, in an effort to gear them for transition?

Governor KNEIP. Yes.

Ms. WILLS. Yes. There were three, as I recall, States, that indicated that their preference, quite frankly, would be to start using title VI funds for training and developing what they called coupled training as well as more public service jobs simultaneously. If they had some prior knowledge, they would have some time to develop more classroom training opportunities. They would channel 15 or 20 hours a week in training in concert with the jobs, so, in essence, the answer would be in reverse—they would start using some PSE moneys for training.

For example, the State of Michigan, with one of the highest unemployment rates of any particular State during the initial thrust of public service employment, used a lot of their title I moneys for PSE. They would now begin to see a reversal of that trend.

Mr. SARASIN. Regarding your statement for flexibility in CETA, do you see a necessity to continue that?

Governor KNEIP. Could I give you an example of something we have in my State right now, and I have applied to the Secretary of Labor for use of discretionary funds under CETA for what we have entitled as the farm management education program. I don't know if you are familiar—we are, indeed, at a time of the most severe drought in the history of our State. We lost a billion and a half dollars in agricultural economy. We have 30 communities that are very nearly out of water—5 that are. There has been a 40-percent selloff of our cattle. Farmers are self-employed, they are not eligible for unemployment compensation. They are not counted statistically as unemployed. I do not think the answer to their problems is to move them off the farm into some other kind of employment. If our farm management educa-

tion program would take approximately $1.6 million of discretionary funds from CETA, pay approximately $100 a month, take particularly young farmers and educate them in the evening, give them a stipend for doing so, help them out with future planning and progress, so far as their planning is concerned, with the hope of keeping them on the farm. Moving them into the towns and cities isn't the answer. It seems to be a problem whether we can do that because of the problem of their being self-employed.

I talked to Secretary Marshall the other day—he liked the idea. We create a different problem by taking them off the farm and training them to put them into some other job. That particular program would handle up to 2,000 farmers.

Mr. SARASIN. You feel a stipend is sufficient incentive to attract people?

Governor KNEIP. It would reach 24 different areas of our State. No, I don't think that is any kind of long-term answer to our problem, but in the instance of those two programs, that $100 a month, and then some farm management training to us seemed far better than trying to find other employment for them because they indicated a $100 isn't much but it would relieve some immediate problems.

Mr. SARASIN. The administration appears to be going back to some of the old categorical programs—it's a question of funding in that area.

Governor KNEIP. Well, in our discussion with the Secretary, there were some Governors who indicated that they had seen, in some of the early actions, that movement, and I thought, in his personal discussion, he said, no; that wasn't true. I can't speak for either. I don't know. It is awful early.

Mr. SARASIN. Thank you very much, Governor. Incidentally, say hello to Trudy Seversen in your office. She used to work for me.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. Governor, I appreciate your emphasis on youth unemployment, and I wonder if you have any specific timetable for special youth title, special legislation?

Governor KNEIP. The emphasis was placed on this matter by the Governors to hopefully have a separate title for youth employment by fiscal year 1978.

Mr. WEISS. Are there any numbers that you spoke about, any special amount of moneys?

Governor KNEIP. The numbers, as I understand them, vary, but as much as what—600,000?

Ms. WILLS. Yes. The specific position from the conference is that approximately 600,000 to 800,000 youths who are economically disadvantaged need to be the target priority.

Furthermore, it is suggested that if you—and I will give you an average figure—for approximately $2,400 per year per youth, which could range from work experience, summer jobs, on the job training, a variety of things which I think we are all familiar with, and including the increased cost for Job Corps, that it would cost, our estimates to serve that number of youths in large cities, and we are more than cognizant of the fact, many of the youth needing service live in the cities would be approximately $1.8 billion rough calculations. I don't have access to a computer so that is a rough calculation.

Mr. WEISS. Thank you very much.

Governor KNEIP. Thank you, Mr. Chairman.

Mr. HAWKINS. Governor, again, we wish to express our appreciation for your testimony before the committee. We certainly look forward to continuation of the cooperation which we have had from the Governors, I think many of the specific recommendations which you have made are well confirmed by other testimony before this subcommittee. It was certainly a pleasure to have had you here with us today.

On a personal note, I must confess, South Dakota is one of two States that I have never visited. Now that you have been before the committee, I am inclined to want to visit there some time.

Governor KNEIP. You have a personal invitation to do so. It is a beautiful State and I am sure you have missed a lot. It is very dry out there now.

Mr. HAWKINS. Thank you Governor. The next witness is Msgr. Francis J. Lally, who will be testifying on behalf of the Department of Social Development and World Peace of the United States Catholic Conference.

Monsignor Lally, it is a pleasure to welcome you again before the committee. You are certainly not a stranger to us and it is always a pleasure to have you take time out from your schedule in order to participate in these hearings with us.

We welcome you and look forward to your testimony. The prepared statement, in its entirety, will be entered in the record, at this point, and you may proceed to deal with it by summarizing or in such fashion as you may desire.

[U.S. Catholic Conference release and prepared statement of Msgr. Francis J. Lally follow:]

U.S. CATHOLIC CONFERENCE NEWS RELEASE

WASHINGTON.—The U.S. Catholic Conference (USCC) has expressed support for the Full Employment and Balanced Growth Act of 1977 as the "most comprehensive and useful approach to full employment" now before Congress.

Msgr. Francis J. Lally, a spokesman for the Conference told a House hearing on unemployment and government action to combat joblessness that the legislation must be "refined and improved" as it makes its way through the legislative process. "However, we urge that its basic thrust toward comprehensive planning and job creation leading to genuine full employment not be diluted," he said.

Msgr. Lally USCC Secretary for Social Development and World Peace, testified (March 2) before the House Subcommittee on Employment Opportunities. USCC is the national level action agency of the Catholic Church in this country.

"The establishment of the basic human right to employment within (the legislation) is a major step forward and provides a sound foundation for national economic policy," the Catholic Conference official stated.

At the same time, Msgr. Lally expressed concern about the bill's revised version which excludes young people 16 to 19 from the interim target of 3% unemployment by 1980. Such action raises "serious questions" of public policy and equity, he said.

"In addition," Msgr. Lally continued, "the lack of any real timetable for the reduction of youth joblessness raises the possibility of continued inaction on jobs for teenagers despite the other youth employment provisions of the legislation. . . . This waste of human resources can lead to patterns of idleness, dependency and crime. We do not believe that a person able, willing and seeking work should be excluded from the employment targets because of age," he said.

The USCC spokesman expressed strong support for the legislation's comprehensive planning process—which requires the President and Congress to set quantitative goals for full employment, production, and purchasing power, and to imple-

ment the plan through specific fiscal, budgetary and monetary policies. The new legislation also includes goals for control of inflation and an explicit language excluding the private sector from planning requirements.

Msgr. Lally also asserted that the effectiveness of the planning process will depend upon the ability of the executive and legislative branches to involve a broad cross section of interests in the formulation of various alternatives.

The Catholic Conference official endorsed the legislation's priority on job creation in the private sector but added that "we wish to make clear our strong support of public service jobs and other direct job creation programs for persons who are unable to obtain employment in the private sector.

"We support the establishment of a Full Employment Office within the Department of Labor and reservoirs of federally-operated public employment and private non-profit employment projects," Msgr. Lally said.

The USCC official told the House subcommittee that President Carter's economic stimulus package is too limited in goals and size and expressed disappointment in the lack of any additional job creation initiatives in Carter's revised budget.

Asserting that economic policy should reflect "broad values of human rights and social justice," Msgr. Lally noted that the Catholic Bishops of the United States have often spoken out on the evil of unemployment, most recently in the statement "The Economy : Human Dimensions," two years ago.

"Behind the jumble of statistics and the rise and fall of economic indicators, lie human lives and individual tragedies," Msgr. Lally stated. "For these reasons, economic issues are also moral issues. The test of public policy is how it affects individuals, families, human needs and the common good," he said.

PREPARED STATEMENT OF MSGR. FRANCIS J. LALLY, ON BEHALF OF THE DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE OF THE UNITED STATES CATHOLIC CONFERENCE

Mr. Chairman and Members of the Committee, I am Monsignor Francis J. Lally, Secretary of the Department of Social Development and World Peace of the United States Catholic Conference. The U.S. Catholic Conference is the national action agency of the Roman Catholic Bishops of the United States. With me today is, Mr. John Carr of our staff.

I. OUR CONCERN

We are very pleased to have this opportunity to testify today on the issue of unemployment and government action to create jobs. There is probably no more urgent issue before our nation. I appear before you today not as an expert, but as a representative of pastors and religious leaders who are very fearful about what joblessness is doing to our people and our nation. Our concern, in this area is neither technical nor political; rather, we participate in these hearings in order to express our deep concern about the human, social and even moral costs of poor economic performance and massive joblessness.

This is not a new area of concern for us. Since early in this century, the Catholic Bishops of the United States have spoken out time and time again on the evils of unemployment. Just two years ago, the Bishops of the U.S. adopted a major policy statement entitled, The Economy : Human Dimensions. This statement has provided the impetus for our activity on this issue during the past two years and is the basis of my testimony this morning. I have, therefore, provided copies for the members of the Subcommittee and I ask that the text of the statement appear in the record.

My comments today will not focus on the technical workings of the economy or detailed remedies for the relief of economic distress. I do not bring to this hearing academic knowledge of economics or personal experience with manpower programs. Rather, I represent a group with a different kind of expertise—an everyday experience of the impact of joblessness on families and individuals. In our churches, we counsel the marriages strained by the loss of income and security resulting from unemployment. In our schools, we observe the terrible impact of poverty caused by unemployment and underemployment. Through our Catholic Charities and hospitals, we attempt to deal with the social, psychological and physical consquences of the loss of jobs. Our experience has taught us that there

is more at stake in economic policy than particular academic theories, political programs or legislative initiatives. Human lives are at stake.

For this reason, economic policy must reflect broad values of human rights and social justice. Our national economic life is currently the most critical setting for the achievement of greater human dignity. The formulation and implementation of economic policies cannot be left solely to technicians, interest groups and market forces. The economic interaction of labor, industry and government have concrete implications far beyond the market place, the board room, and the stock exchange. Behind the jumble of statistics and the rise and fall of economic indicators, lie human lives and individual tragedies. For these reasons, economic issues are also moral issues. The test of public policy is how it affects individuals, families, human needs and the common good.

It is clear from our present situation that we are failing this test. The dimensions of our failure are overwhelming. According to the January figures, (which many believe underestimate joblessness for weather-related reasons) nearly seven million persons are unemployed; one-third of them have been out of a job for more than fourteen weeks. In addition one million persons have given up looking for work out of frustration and some 3½ million workers are in part-time jobs for economic reasons. Although the official rate of joblessness is 7.3%, more comprehensive measures of unemployment indicate that 10% of the work force is without jobs.

These overall figures do not reflect the inequitable distribution of unemployment. Minorities, young people women and blue collar workers suffer greater joblessness than do other groups. While some groups experience relative prosperity, others face continuing depression levels of unemployment. For two decades black adult unemployment has been twice the national average. Minority young people currently have a jobless rate five times the overall rate. In most of our major cities unemployment is far higher than these overall statistics.

These figures represent an economic and human crisis of enormous consequences. For over two years, we have experienced the worst levels of unemployment since the Great Depression. I fear that the prolonged duration of this stagnation and human waste has begun to dull our sensitivity to the tragedy of joblessness. I fear that as some advise, we are beginning to accept these levels of joblessness as normal. In fact, the recent improvement in economic indicators represents only relative progress. In normal times nearly ten million Americans suffering some form of unemployment would be unthinkable and intolerable.

Unfortunately, our unemployment problem is not a short-range, merely cyclical problem requiring temporary measures to alleviate suffering. Rather, a careful analysis reveals that since World War II, unemployment has been substantial, persistent and drifting upward. The promise of the Employment Act of 1946 has not been fulfilled. In fact, we have fallen increasingly short of its broad social and economic purposes. When joblessness rose dramatically during the recent recession, it took the form of an acute and visible crisis, superimposed on a long-term unemployment problem resulting from the continuing failure of the economy to provide an adequate supply of jobs.

We believe that the statistical improvement shown for last month, should not divert us from the critical task of devising long-term policies and comprehensive programs that will ensure genuine full employment. In fact, recent figures indicate that we face continued serious economic problems resulting in part from the impact of the harsh winter and energy shortages. In addition, every forecast still projects that large scale unemployment will extend into the next decade unless major new policies are adopted.

II. OUR POSITION

Unemployment

The American Catholic Bishops believe that these levels of unemployment are unjust and unacceptable. They lead to intolerable economic, social and human costs.

As the Subcommittee is well aware, these levels of unemployment have substantial economic costs in terms of lost income, revenue and productivity. They also lead to higher welfare and unemployment compensation payments as well as greater expenditures for food stamps and other benefits.

However, of equal importance are the human and social costs of joblessness. Long-term unemployment destroys hope and confidence. It diminishes self-respect and ambition. It erodes family life and community stability. The direct relation-

ship between unemployment and higher levels of crime, alcoholism, disease, mental illness and drug addiction has been demonstrated.

The experience of prolonged joblessness dramatically affects a person's perception of self and his or her hopes for the future. It cannot fail to influence personal attitudes and behavior toward society.

Although we do not believe that a person's worth and value is determined by his or her economic productivity, in our culture, persons without employment lose a critical measure of their place in society and a source of individual fulfillment. They perceive that society has no productive role for them or that there is no contribution they can make. As a result, alienation and loss of confidence intensifies and leads to increased anxiety and anti-social behavior.

High unemployment also contributes to rising social and racial tensions. In a situation of job scarcity, one individual or group can obtain and keep employment only at the expense of another. A scapegoat mentality can develop whereby workers blame aliens, women, minorities, young people for the loss of jobs. There is already ample evidence of this phenomenon in our society, with serious social consequences.

In addition high unemployment poses serious moral questions for our nation. What does it mean for a society to say to some of its members, we do not need your talents, energies and skills? Can we as a nation continue to require some of our citizens to live a life of dependence without work or creativity and at what cost? What happens to us as a people as we watch families which have made the slow and painful climb up the economic ladder, only to be pushed down once again into poverty and dependence by the loss of a job? Finally, what does it mean when our leaders say there is no way in the foreseeable future to harness the idleness of so many for work on vital social needs such as housing and transportation? These questions pose profound issues of national purpose and identity.

Long-term levels of unemployment threaten basic human dignity and lower the quality of life for many Americans. The human and social consequences of joblessness are as significant in our view as the substantial economic costs of lower industrial production and lost government revenues resulting from high levels of unemployment. This human toll deserves equal consideration in policy-making.

In the statement I referred to earlier on, The Economy: Human Dimensions, the American Catholic Bishops declared:

"Fundamentally, our nation must provide jobs for those who can and should work and a decent income for those who cannot. An effective national commitment to full employment is needed to protect the basic human right to useful employment for all Americans. It ought to guarantee, through appropriate mechanisms, that no one seeking work would be denied an opportunity to earn a livelihood. Full employment is the foundation of a just economic policy; it should not be sacrificed for other political and economic goals."

We have repeatedly called for sustained and substantial efforts to combat unemployment. We have been an active participant in the continuing debate over national economic policy and job creation measures.

Concerning inflation

We have also expressed our concern about the continuing impact of inflation on our citizens, especially the poor and those on fixed income. We have urged that the new Administration seriously consider a voluntary program of wage and price guidelines, involving the articulation of specific wage and price targets and vigorous action to achieve voluntary compliance on the part of business and labor. In addition, greater efforts to increase real competition and oppose monopolistic practices ought to be undertaken to strengthen the competitive forces in our economy.

III. PUBLIC POLICY

In light of our approach to these two issues, we wish to take the opportunity to express our views briefly on three timely issues: the economic stimulus package proposed by President Carter, the Federal Budget and its economic assumptions and the Full Employment And Balanced Growth Act of 1977 (H.R. 50).

Economic stimulus proposals

President Carter has stated his determination to restore economic recovery and to relieve the impact of joblessness. We applaud this commitment and we welcome his program to stimulate the economy and to create jobs. We are encouraged by several elements of the Administration's proposal. First, it is based upon the

recognition that the economy requires substantial stimulus and significant additional job creation. Secondly, the two-year framework of the proposal provides needed predictability and a sustained response to our economic problems. Thirdly, elements of the program clearly concentrate their impact on low and moderate income families, regardless of their tax status.

However, we fear his program of economic stimulus is too modest in its goals, too limited in size and too reliant on indirect approaches to achieve the level of job creation necessary to alleviate the human and economic costs of massive joblessness. In light of the vast needs of our nation, we believe that this proposal alone will not provide sufficient resources or concentrated action to create the number of jobs required to reduce unemployment and to promote full recovery. We have urged the new Administration, the Congress and the American people to support a significantly larger program of direct job creation to put our people back to work and to meet vital social needs.

In light of our continuing economic and human needs, additional stimulus is clearly required. This stimulus should be directed in the most efficient, cost-effective and timely fashion through expansion of already existing programs of public service jobs; public works; housing production, rehabilitation and community development; youth training and employment programs and countercyclical assistance to local governments. We have specifically supported additional funds for public service jobs.

Budget

Without commenting in detail, we would like to discuss very briefly two aspects of the revised budget submitted by President Carter on February 22, 1977. First, we welcome and applaud his decision to restore the cuts in Federal employment and training programs proposed by President Ford. We support the expansion of these direct job creation programs as spelled out in the economic stimulus package. However, we are disappointed by the lack of any additional job creation initiatives beyond the economic stimulus plan. In fact, we are deeply concerned by the projected 6.3 percent unemployment rate in the revised budget's economic assumptions. This very limited goal means that well over 6 million Americans would be unemployed, by official measures, as we begin fiscal year 1979. Given the fact that official unemployment rates underestimate the actual level of joblessness and that the burden of unemployment falls disproportionately on minorities, young people, women and blue collar workers, this goal is exceedingly modest. As the Bishops said in their economic statement:

We are disturbed not only by the present level of joblessness, but also by official government projections of massive unemployment for the rest of this decade. We sincerely hope that these figures do not represent resignation to the human and economic waste implied in these rates of unemployment. As a society, we cannot accept the notion that some will have jobs and income while others will be told to wait a few years and to subsist on welfare in the interim."

The Full Employment and Balanced Growth Act

We sincerely hope that the Administration and Congress will support a long-range program of sustained planning and job creation to move us toward genuine full employment. We support comprehensive legislation to guarantee genuine full employment as the foundation of a just and responsible economic policy. In this context, we want to renew our basic support several times we have done it before for H.R. 50, the Full Employment and Balanced Growth Act of 1977. It provides the most comprehensive and useful approach to full employment now before Congress. This legislation has been and should be further refined and improved as it makes its way through the legislative process. However, we urge that its basic thrust toward comprehensive planning and job creation leading to genuine full employment, not be diluted.

We support the establishment of the right of all Americans, who are able and willing to work, to useful and productive employment at fair wages. We believe an interim target and timetable along the lines of 3 percent adult unemployment by 1980 is an appropriate and essential step to genuine full employment where jobs are available for all those seeking them (Section 104(c)). The establishment of the basic human right to employment within H.R. 50 is a major step forward and provides a sound foundation for national economic policy.

We are concerned about the treatment of youth unemployment in the revised version of the bill. The exclusion of young people 16–19 years old from the 3 percent interim target raises serious questions of public policy and equity. This

means that the actual interim unemployment target will be approximately 4 percent with inevitably higher figures for youth, minority, female and blue collar joblessness. This falls significantly short of genuine full employment. In addition, the lack of any real timetable for the reduction of youth joblessness raises the possibility of continued inaction on jobs for teenagers, despite the other youth employment provisions of the legislation. This has important social consequence. So many of our young people are presently entering the labor force to find no outlet for their talents and energies.

This waste of human resources can lead to patterns of idleness, dependency and crime. We do not believe that a person, able, willing and seeking work should be excluded from the employment targets because of age.

This legislation utilizes two complementary approaches to achieve full employment. The first is a comprehensive planning process which requires the President and Congress to set quantitative goals for full employment, production and purchasing power (Section 104) and to implement this plan through specific fiscal, budgetary and monetary policies. The new legislation also includes goals for control of inflation and an explicit language excluding the private sector from planning requirements.

In general, we support a comprehensive planning process. We believe that it can provide a rational framework for economic decisions and policies which is long overdue. We are particularly encouraged that the Full Employment and Balanced Growth Plan focuses on the achievement of fundamental social and economic goals of full employment, production and purchasing power. Without a clear articulation of the goals to be pursued, the planning process could resemble little more than a series of discouraging forecasts of poor economic performance, rather than purposeful goals and policies to achieve them.

Effective planning requires broad participation of the parties involved and real commitment to the overall goals. The effectiveness of the planning process will depend upon the ability of the legislative and executive branches to involve a broad cross section of interests in the formulation of the various alternatives, and the performance of those responsible to implement the plan. While we are impressed with the requirements for the plan in Title 1, Section 103 and 104, and the specific deadlines spelled out in the legislation, we hope that the Subcommittee will consider ways to strengthen the accountability of those who play key roles in the formulation and implementation of the plan (e.g., the President, the Council of Economic Advisers, the Federal Reserve Board, the Congressional Joint Economic Committee, the House and Senate Budget Committees, among others).

The revised legislation seems to rely on general mandates, specific deadlines, and public pressure to insure adequate implementation. The experience with the Employment Act of 1946 should warn us that good intentions and general requirements cannot substitute for specific mandates and effective oversight.

Job creation

The second and related approach to the implementation of the right to employment is a range of job creation programs in both the private and the public sector. We believe this section of the legislation is an essential complement to the planning process detailed in Title I.

In their November statement, the Bishops declared their support for measures such as those detailed in Title II. We believe it is preferable to spend funds to create and maintain employment than to require families to subsist on unemployment compensation and welfare.

The new legislation includes a criterion for job creation placing priority on job creation in the private sector. While this emphasis is well founded, we wish to make clear our strong support of public service jobs and other direct job creation programs for persons who are unable to obtain employment in the private sector. We reject claims that work in private industry is necessarily more efficient and productive than public sector jobs aimed at meeting our vital needs in housing, recreation, child care, education, health care and transportation. We therefore support the establishment of a Full Employment Office within the Department of Labor and reservoirs of federally-operated public employment and private non-profit employment projects.

In general, we believe that the new version of the Full Employment and Balanced Growth Act provides a useful approach to reform and reordering of our economic priorities. It plac the quest for genuine full employment as the first priority of economic policy.

We are pleased that Labor Secretary Ray Marshall has expressed his support for this legislation and we hope that the new Administration will soon echo his endorsement of comprehensive and effective full employment legislation. President Carter and the Democratic Party campaigned on platform pledges to support comprehensive full employment legislation.

This is an important moment in the economic and political history of our land. As we slowly emerge from the deepest recession since the Depression of the Thirties, we face a basic choice concerning national economic and social policy. We can return to old policies and programs which offer little hope of achieving greater social and economic justice or we can harness the concern and experience of our people to enact fundamental reforms in our economic life. Working together with renewed vision and commitment, we can take a major step toward a more just and humane America. We call upon our leaders to accept this challenge and to enact an effective and workable national commitment to full employment for all Americans.

STATEMENT OF MSGR. FRANCIS J. LALLY, SECRETARY OF THE DEPARTMENT OF SOCIAL DEVELOPMENT AND WORLD PEACE OF THE U.S. CATHOLIC CONFERENCE

Monsignor LALLY. I will read portions of the statement and the the rest of the statement can pass into the record. I am Msgr. Francis J. Lally, Secretary of the Department of Social Development and World Peace of the U.S. Catholic Conference. The U.S. Catholic Conference is the national action agency of the Roman Catholic bishops of the United States. With me today is Mr. John Carr of our staff.

I. OUR CONCERN

We are very pleased to have this opportunity to testify today on the issue of unemployment and Government action to create jobs. There is probably no more urgent issue before our Nation. I appear before you today not as an expert, but as a representative of pastors and religious leaders who are very fearful about what joblessness is doing to our people and our Nation. Our concern in this area is neither technical nor political; rather, we participate in these hearings in order to express our deep concern about the human, social, and even moral costs of poor economic performance and massive joblessness.

This is not a new area of concern for us. Since early in this century, the Catholic bishops of the United States have spoken out time and time again on the evils of unemployment. Just 2 years ago, the bishops of the United States adopted a major policy statement entitled, "The Economy: Human Dimensions." I know the chairman is familiar with this and has used it.

Mr. HAWKINS. It is a very excellent statement which we have used extensively.

Monsignor LALLY. This statement has provided the impetus for our activity on this issue during the past 2 years and is the basis of my testimony this morning. I have, therefore, provided copies for the members of the subcommittee, and I ask that the text of the statement appear in the record, if that is possible.

Mr. HAWKINS. Without objection, it is so ordered.

[The document referred to follows:]

The Economy: Human Dimensions

A STATEMENT OF

The Catholic Bishops of the United States

USCC

NOVEMBER 20, 1975

THE ECONOMY: HUMAN DIMENSIONS

"This unemployment returning again to plague us after so many repetitions during the century past is a sign of deep failure in our country. Unemployment is the great peacetime physical tragedy of the nineteenth and twentieth centuries, and both in its cause and in the imprint it leaves upon those who inflict it, those who permit it, and those who are its victims, it is one of the great moral tragedies of our time."

The Bishops of the United States,
Unemployment, 1930

1. This was the judgment of our predecessors as they responded to the economic crisis of 1930. As pastors, teachers and leaders, we recall and emphasize their words as our country faces important economic, social and moral decisions in the midst of the highest unemployment since the 1930s.

I. THE CHURCH'S CONCERN

2. Despite recent hopeful signs, the economy is only slowly and painfully recovering from the recent recession, the worst since World War II. We are deeply concerned that this recovery may lack the strength or duration to alleviate the suffering of many of the victims of the recession, especially the unemployed. It is the moral, human and social consequences of our troubled economy which concern us and their impact on families, the elderly and children. We hope in these limited reflections to give voice to some of the concerns of the poor and working people of our land.

3. We are keenly aware of the world-wide dimensions of the problem and the complexity of these issues of economic policy. Our concern, however, is not with technical fiscal matters, particular economic theories or political programs, but rather the moral aspects of economic policy and the impact of these policies on people. Our economic life must reflect broad values of social justice and human rights.

II. THE CHURCH'S TEACHING

4. Our own rich heritage of Catholic teaching offers important direction and insight. Most importantly, we are guided by the concern for the poor and afflicted shown by Jesus, who came to "bring good news to the poor, to proclaim liberty to captives, new sight to the blind, and to set the downtrodden free" (Luke 4:18). In addition, the social encyclicals of the Popes and documents of the Second Vatican Council and the Synod of Bishops defend the basic human right to useful employment, just wages and decent working conditions as well as the right of workers to organize and bargain collectively. They condemn unemployment, maldistribution of resources and other forms of economic injustice and call for the creation of useful work experiences and new forms of industrial organization enabling workers to share in decision-making, increased production, and even ownership. Again and again they point out the interrelation of economics and ethics, urging that economic activity be guided by social morality.

5. Catholic teaching on economic issues flows from the Church's commitment to human rights and human dignity. This living tradition articulates a number of principles which are useful in evaluating our current economic situation. Without attempting to set down an all-inclusive list, we draw the following principles from the social teachings of the Church and ask that policy-makers and citizens ponder their implications.

a. Economic activity should be governed by justice and be carried out within the limits of morality. It must serve people's needs.[1]

b. The right to have a share of earthly goods sufficient for oneself and one's family belongs to everyone.[2]

c. Economic prosperity is to be assessed not so much from the sum total of goods and wealth possessed as from the distribution of goods according to norms of justice.[3]

d. Opportunities to work must be provided for those who are able and willing to work. Every person has the right to useful employment, to just wages, and to adequate assistance in case of real need.[4]

e. Economic development must not be left to the sole judgment of a few persons or groups possessing excessive economic power, or to the political community alone. On the contrary, at every level the largest possible number of people should have an active share in directing that development.[3]

f. A just and equitable system of taxation requires assessment according to ability to pay.[4]

g. Government must play a role in the economic activity of its citizens. Indeed, it should promote in a suitable manner the production of a sufficient supply of material goods. Moreover, it should safeguard the rights of all citizens, and help them find opportunities for employment.[5]

6. These are not new principles. They are drawn directly from the teachings of the Church, but they have critical relevance at this time of economic distress. Under current conditions, many of these principles are being consistently violated.

III. DIMENSIONS OF THE ECONOMIC SITUATION

7. In these reflections we wish to examine briefly the dimensions of our economic problems in three areas: unemployment, inflation and distribution of wealth and income.

A. Unemployment

8. In October, government figures show eight million persons were unemployed, representing 8.6% of the work force.[6] Millions of other persons have given up seeking work out of discouragement or are in part-time jobs although they desire full-time work. Taking this into account, the actual level of unemployment in our country is over 12%.[7] It is estimated that 20 million people will be jobless at some time this year, and that one-third of all Americans will suffer the traumatic experience of unemployment within their families.

9. The official unemployment rate does more than underestimate the true extent of joblessness. It also masks the inequitable distribution of unemployment. The figures for October indicate that minorities, blue collar workers, young people and women bear a disproportionate share of the burdens of joblessness.[8]

10. These realities clearly indicate that the nation's commitment to genuine full employment has been seriously eroded, if not abandoned. Since World War II, unemployment has been substantial, persistent and drifting upward. In fact, when joblessness rose dramatically during the latest recession, it took the form of an acute and visible crisis, superimposed on a long-term unemployment problem which has persisted for decades.

11. The costs of this tragic under-utilization of our country's human resources are enormous. In economic terms, these high levels of unemployment cost literally hundreds of billions of dollars in lost productivity and tens of billions of dollars in lost revenue and increased expenses for all levels of government.

12. As lamentable as these financial costs are, the social and human impact is far more deplorable. In our society, persons without a job lose a key measure of their place in society and a source of individual fulfillment; they often feel that there is no productive role for them. Many minority youth may grow up without meaningful job experiences and come to accept a life of dependency. Unemployment frequently leads to higher rates of crime, drug addiction, and alcoholism. It is reflected in higher rates of mental illness as well as rising social tensions. The idleness, fear and financial insecurity resulting from unemployment can undermine confidence, erode family relationships, dull the spirit and destroy dreams and hopes. One can hardly bear to contemplate the disappointment of a family which has made the slow and painful climb up the economic ladder and has been pushed down once again into poverty and dependence by the loss of a job.

13. The current levels of unemployment are unacceptable and their tremendous human costs are intolerable. Unemployment represents a vast and tragic waste of our human and material resources. We are disturbed not only by the present levels of joblessness, but also by official government projections of massive unemployment for the rest of this decade. We sincerely hope that these figures do not represent resignation to the human and economic waste implied in these rates

of unemployment. As a society, we cannot accept the notion that some will have jobs and income while others will be told to wait a few years and to subsist on welfare in the interim. For work is more than a way to earn a living. It represents a deep human need, desired not only for income but also for the sense of worth which it provides the individual.

B. Inflation

14. There are those who insist that we must tolerate high levels of unemployment for some, in order to avoid ruinous inflation for all. Although we are deeply concerned about inflation, we reject such a policy as not grounded in justice. In recent years, our country has experienced very high levels of inflation. During this past year, there has been some reduction in inflation, but there are already signs of its renewal, spurred by large increases in food and fuel prices.

15. Inflation weakens the economic stability of our society and erodes the economic security of our citizens. Its impact is most severe on those who live on fixed incomes and the very poor. The double distress of inflation and recession has led to a painful decline in real income for large numbers of people in recent years. Clearly, steps must be taken to limit inflation and its impact.

16. However, low unemployment and high inflation are not inevitable partners, as history and the experience of other industrialized countries bear out. Policy makers should seek and use measures to combat inflation which do not rely upon high rates of joblessness. For many of our fellow citizens, the major protection against inflation is a decent job at decent wages.

C. Distribution of Income and Wealth

17. Within our country, vast disparities of income and wealth remain. The richest 20% of our people receive more income than the bottom 60% combined. In the area of ownership, the disparities are even more apparent. The top one-fifth of all families own more than three-fourths of all the privately held wealth in the United States while over one-half of our families control less than 7% of the wealth.

18. The distribution of income and wealth are important since they influence and even determine our society's distribution of economic power. Catholic social teaching has condemned gross inequality in the distribution of material goods. Our country cannot continue to ignore this important measure of economic justice.

IV. POLICY DIRECTIONS

19. Fundamentally, our nation must provide jobs for those who can and should work and a decent income for those who cannot. An effective national commitment to full employment is needed to protect the basic human right to useful employment for all Americans. It ought to guarantee, through appropriate mechanisms, that no one seeking work would be denied an opportunity to earn a livelihood. Full employment is the foundation of a just economic policy; it should not be sacrificed for other political and economic goals. We would support sound and creative programs of public service employment to relieve joblessness and to meet the vital social needs of our people (housing, transportation, education, health care, recreation, etc.).

20. The burden and hardship of these difficult times must not fall most heavily on the most vulnerable: the poor, the elderly, the unemployed, young people and workers of modest income. We support efforts to improve our unemployment compensation system and to provide adequate assistance to the victims of the recession. Efforts to eliminate or curtail needed services and help must be strongly opposed.

21. We continue to support a decent income policy for those who are unable to work because of sickness, age, disability or other good reason. Our present welfare system should be reformed to serve our country and those in need more effectively.

22. Renewed efforts are required to reform our economic life. We ask the private and public sectors to join together to plan and provide better for our future, to promote fairness in taxation, to halt the destructive impact of inflation and to distribute more evenly the burdens and opportunities of our society. We also ask that consideration be given to a more efficacious use of the land, the nation's primary resource in order to provide gainful employment for more people. We should also explore the impact of technology and endeavor to preserve the small family farm and other approaches to economic life which provide substantial and productive employment for peo-

ple. It is not enough to point up the issues in our economy and to propose solutions to our national problems while accepting uncritically the presupposition of an economic system based in large part upon unlimited and unrestrained profit.

23. We pledge our best efforts in support of these goals. We call on local parishes, dioceses, Catholic institutions and organizations to undertake education and action programs on issues of economic justice. We renew our commitment to assist the needy and victims of economic turmoil through programs of financial assistance and active participation in the dialogue over the formulation and implementation of just economic policies. We call on our people to pray for our country in this time of need and to participate in the difficult decisions which can still fulfill the promise of our land.

24. Working together with renewed vision and commitment, our country has the productive capacity and human and material resources to provide adequately for the needs of our people. We take this opportunity to renew the challenge of our fellow Bishops of 45 years ago:

> "Our country needs, now and permanently, such a change of heart as will, intelligently and with determination, so organize and distribute our work and wealth that no one need lack for any long time the security of being able to earn an adequate living for himself and for those dependent upon him."
>
> The Bishops of the United States, *Unemployment*, 1930

APPENDIX

In adopting this resolution, the Bishops sought to link this effort to a major statement issued in 1919 on similar matters. Entitled, "The Bishops' Program For Social Reconstruction," the statement called for: minimum wage legislation; unemployment insurance and protection against sickness and old age; minimum age limit for working children; legal enforcement of the right of labor to organize; a national employment service; public housing; and a long term program of increasing wages.

It also urged: prevention of excessive profits and incomes through regulation of public utilities and progressive taxes on inheritance, income, and excess profits; participation of labor in management; a wider distribution of ownership through cooperative enterprises and worker ownership in the stock of corporations; and effective control of monopolies even by the method of government competition if that should prove necessary.

Most of these proposals have been enacted. Partial progress has been made toward others. The 1919 statement provides a historical framework for the current resolution and evidences a long-standing concern for economic justice on the part of the Catholic community in this country.

FOOTNOTES

[1] Vatican II, *The Church In The Modern World*, 64; John XXIII, *Mater et Magistra*, 38-39.

[2] Vatican II, *The Church In The Modern World*, 69.

[3] John XXIII, *Mater et Magistra*, 73.

[4] Pius XI, *On The Reconstruction of The Social Order*, 74; John XXIII, *Pacem In Terris*, 11, 18; Vatican II, *The Church In The Modern World*, 67; Paul VI, *A Call To Action*, 6.

[5] Vatican II, *The Church In The Modern World*, 65.

[6] John XXIII, *Mater et Magistra*, 132.

[7] John XXIII, *Mater et Magistra*, 20; Vatican II, *The Church In The Modern World*, 67, 70.

[8] The Employment Situation: October 1975; U.S. Department of Labor, Bureau of Labor Statistics; November 7, 1975.

[9] Department of Labor figures for October 1975 indicate:

- One out of five teenagers were jobless.
- Over 11% of all blue collar workers were out of work.
- 14.2% of all minority persons were unemployed.
- Nearly 40% of all minority teenagers were jobless.
- 134 of our 150 major urban areas were officially listed as areas of substantial subemployment.

Monsignor LALLY. My comments today will not focus on the technical workings of the economy or detailed remedies for the relief of economic distress. I do not bring to this hearing academic knowledge of economics or personal experience with manpower programs. Rather, I represent a group with a different kind of expertise—an everyday experience of the impact of joblessness on families and individuals. In our churches, we counsel the marriages strained by the loss of income and security resulting from unemployment. In our schools we observe the terrible impact of poverty caused by unemployment and underemployment. Through our Catholic charities and hospitals, we attempt to deal with the social, psychological, and physical consequences of the loss of jobs. Our experience has taught us that there is more at stake in economic policy than particular academic theories, political programs, or legislative initiatives. Human lives are at stake.

For this reason, economic policy must reflect broad values of human rights and social justice. Our national economic life is currently the most critical setting for the achievement of greater human dignity. The formulation and implementation of economic policies cannot be left solely to technicians, interest groups and market forces. The economic interaction of labor, industry and government have concrete implications far beyond the marketplace, the board room, and the stock exchange. Behind the jumble of statistics and the rise and fall of economic indicators, lie human lives and individual tragedies. For these reasons, economic issues are also moral issues. The test of public policy is how it affects individuals, families, human needs, and the common good.

It is clear from our present situation that we are failing this test. The dimensions of our failure are overwhelming. According to the January figures (which many believe underestimate joblessness for weather-related reasons), nearly 7 million persons are unemployed; one-third of them have been out of a job for more than 14 weeks. In addition, 1 million persons have given up looking for work out of frustration and some 3½ million workers are in part-time jobs for economic reasons. Although the official rate of joblessness is 7.3 percent more comprehensive measures of unemployment indicate that 10 percent of the work force is without jobs.

These overall figures do not reflect the inequitable distribution of unemplyment. Minorities, young people, women and blue collar workers suffer greater joblessness than do other groups. While some groups experience relative prosperity, others face continuing depression levels of unemployment. For two decades, black adult unemployment has been twice the national average. Minority young people currently have a jobless rate five times the overall rate. In most of our major cities, unemployment is far higher than these overall statistics.

These figures represent an economic and human crisis of enormous consequences. For over 2 years, we have experienced the worst levels of unemployment since the Great Depression. I fear that the prolonged duration of this stagnation and human waste has begun to dull our sensitivity to the tragedy of joblessness. I fear that, as some advise, we are beginning to accept these levels of joblessness as normal. In fact, the recent improvement in economic indicators represents only

relative progress. In normal times, nearly 10 million Americans suffering some form of unemployment would be unthinkable and intolerable.

We believe that the statistical improvement shown for last month should not divert us from the critical task of devising long-term policies and comprehensive programs that will insure genuine full employment. In fact, recent figures indicate that we face continued serious economic problems, resulting in part from the impact of the harsh winter and energy shortages. In addition, every forecast still projects that large-scale unemployment will extend into the next decade unless major new policies are adopted.

Unemployment

The American Catholic Bishops believe that these levels of unemployment are unjust and unacceptable. They lead to intolerable economic, social, and human costs.

As the subcommittee is well aware, these levels of unemployment have substantial economic costs in terms of lost income, revenue, and productivity. They also lead to higher welfare and unemployment compensation payments as well as greater expenditures for food stamps and other benefits.

However, of equal importance are the human and social costs of joblessness. Long-term unemployment destroys hope and confidence. It diminishes self-respect and ambition. It erodes family life and community stability. The direct relationship between unemployment and higher levels of crime, alcoholism, disease, mental illness, and drug addiction has been demonstrated.

The experience of prolonged joblessness dramatically affects a person's perception of self and his or her hopes for the future. It cannot fail to influence personal attitudes and behavior toward society.

Although we do not believe that a person's worth and value is determined by his or her economic productivity, in our culture, persons without employment lose a critical measure of their place in society and a source of individual fulfillment. They perceive that society has no productive role for them or that there is no contribution they can make. As a result, alienation and loss of confidence intensifies and leads to increased anxiety and antisocial behavior.

High unemployment also contributes to rising social and racial tensions. In a situation of job security, one individual or group can obtain and keep employment only at the expense of another. A scapegoat mentality can develop whereby workers blame aliens, women, minorities, and young people for the loss of jobs. There is already ample evidence of this phenomenon in our society, with serious social consequences.

In addition, high unemployment poses serious moral questions for our Nation. What does it mean for a society to say to some of its members, we do not need your talents, energies, and skills? Can we, as a Nation, continue to require some of our citizens to live a life of dependence without work or creativity and at what cost? What happens to us as a people as we watch families which have made the slow and painful climb up the economic ladder, only to be pushed down once again into poverty and dependence by the loss of a job? Finally, what does it mean when our leaders say there is no way in the foreseeable future to harness the idleness of so many for work on vital social needs

such as housing and transportation? These questions pose profound issues of national purpose and identity.

In the statement I referred to earlier, the American Catholic Bishops declared:

> Fundamentally, our Nation must provide jobs for those who can and should work and a decent income for those who cannot. An effective national commitment to full employment is needed to protect the basic human right to useful employment for all Americans. It ought to guarantee, through appropriate mechanisms, that no one seeking work would be denied an opportunity to earn a livelihood. Full employment is the foundation of a just economic policy; it should not be sacrificed for other political and economic goals.

We have repeatedly called for sustained an substantial efforts to combat unemployment. We have been an active participant in the continuing debate over national economic policy and job creation measures.

Inflation

We have also expressed our concern about the continuing impact of inflation on our citizens, especially the poor and those on fixed income. We have urged that the new administration seriously consider a voluntary program of wage and price guidelines, involving the articulation of specific wage and price targets and vigorous action to achieve voluntary compliance on the part of business and labor. In addition, greater efforts to increase real competition and oppose monopolistic practices ought to be undertaken to strengthen the competitive forces in our economy.

III. PUBLIC POLICY

In light of our approach to these two issues, we wish to take the opportunity to express our views briefly on three timely issues; the economic stimulus package proposed by President Carter, the Federal Budget and its economic assumptions and the Full Employment and Balanced Growth Act of 1977 (H.R. 50).

Economic stimulus proposals

President Carter has stated his determination to restore economic recovery and to relieve the impact of joblessness. We applaud this commitment and we welcome his programs to stimulate the economy and to create jobs. We are encouraged by several elements of the administration's proposal. First, it is based upon the recognition that the economy requires substantial stimulus and significant additional job creation. Second, the 2-year framework of the proposal provides needed predictability and a sustained response to our economic problems. Third, elements of the program clearly concentrate their impact on low- and moderate-income families, regardless of their tax status.

However, we fear his program of economic stimulus is too modest in its goals, too limited in size and too reliant on indirect approaches to achieve the level of job creation necessary to alleviate the human and economic costs of massive joblessness. In light of the vast needs of our Nation, we believe that this proposal alone will not provide sufficient resources or concentrated action to create the number of jobs required to reduce unemployment and to promote full recovery. We have urged the new administration, the Congress and the American

people to support a significantly larger program of direct job creation to put our people back to work and to meet vital social needs.

In light of our continuing economic and human needs, additional stimulus is clearly required. This stimulus should be directed in the most efficient, cost-effective and timely fashion through expansion of already existing programs of public service jobs; public works; housing production; rehabilitation and community development; youth training and employment programs and countercyclical assistance to local governments. We have specifically supported additional funds for public service jobs.

Budget

Without commenting in detail, we would like to discuss very briefly two aspects of the revised budget submitted by President Carter on February 22, 1977. First, we welcome and applaud his decision to restore the cuts in Federal employment and training programs proposed by President Ford. We support the expansion of these direct job creation programs as spelled out in the economic stimulus package. However, we are disappointed by the lack of any additional job creation initiatives beyond the economic stimulus plan. In fact, we are deeply concerned by the projected 6.3 percent unemployment rate in the revised budget's economic assumptions. This very limited goal means that well over 6 million Americans would be unemployed, by official measures, as we begin fiscal year 1979.

As the bishops said in their economic statement:

> We are disturbed not only by the present level of joblessness, but also by official Government projections of massive unemployment for the rest of this decade. We sincerely hope that these figures do not represent resignation to the human and economic waste implied in these rates of unemployment. As a society, we cannot accept the notion that some will have jobs and income while others will be told to wait a few years and to subsist on welfare in the interim.

The Full Employment and Balanced Growth Act

We sincerely hope that the administration and Congress will support a long-range program of sustained planning and job creation to move us toward genuine full employment. We support comprehensive legislation to guarantee genuine full employment as the foundation of a just and responsible economic policy. In this context, we want to renew our basic support several times, we have done it before, for H.R. 50, the Full Employment and Balanced Growth Act of 1977. It provides the most comprehensive and useful approach to full employment now before Congress. This legislation has been and should be further refined and improved as it makes its way through the legislative process. However, we urge that its basic thrust toward comprehensive planning and job creation leading to genuine full employment, not be diluted.

We support the establishment of the right of all Americans, who are able and willing to work, to useful and productive employment at fair wages. We believe an interim target and timetable along the lines of 3 percent adult unemployment by 1980 is an appropriate and essential step to genuine full employment where jobs are available for all those seeking them (section 104(c)). The establishment of the basic human right to employment within H.R. 50 is a major step forward and provides a sound foundation for national economic policy.

We are concerned about the treatment of youth unemployment in the revised version of the bill. The exclusion of young people 16–19 years old from the 3 percent interim target raises serious questions of public policy and equity. This means that the actual interim unemployment target will be approximately 4 percent with inevitably higher figures for youth, minority, female and blue collar joblessness.

In general, we support a comprehensive planning process. We believe that it can provide a rational framework for economic decisions and policies which is long overdue. We are particularly encouraged that the full employment and balanced growth plan focuses on the achievement of fundamental social and economic goals of full employment, production and purchasing power. Without a clear articulation of the goals to be pursued, the planning process could resemble little more than a series of discouraging forecasts of poor economic performance, rather than purposeful goals and policies to achieve them.

Job creation

The second and related approach to the implementation of the right to employment is a range of job creation programs in both the private and the public sector. We believe this section of the legislation is an essential complement to the planning process detailed in title I.

In their November statement, the bishops declared their support for measures such as those detailed in title II. We believe it is preferable to spend funds to create and maintain employment than to require families to subsist on unemployment compensation and welfare.

The new legislation includes a criterion for job creation placing priority on job creation in the private sector. While this emphasis is well founded, we wish to make clear our strong support of public service jobs and other direct job creation programs for persons who are unable to obtain unemployment in the private sector. We reject claims that work in private industry is necessarily more efficient and productive than public sector jobs aimed at meeting our vital needs in housing, recreation, child care, education, health care and transportation. We therefore support the establishment of a Full Employment Office within the Department of Labor and reservoirs of federally operated public employment and private nonprofit employment projects.

In general, we believe that the new version of the Full Employment and Balanced Growth Act provides a useful approach to reform and reordering of our economic priorities. It places the quest for genuine full employment as the first priority of economic policy. Through comprehensive economic planning, institutional reforms and job creation in both the private and the public sectors, this legislation takes a major step to more rational and just economic policy.

We are pleased that Labor Secretary Ray Marshall has expressed his support for this legislation and we hope that the new administration will soon echo his endorsement of comprehensive and effective full employment legislation. President Carter and the Democratic Party campaigned on platform pledges to support comprehensive full employment legislation. We expect these commitments to be kept.

This is an important moment in the economic and political history of our land. As we slowly emerge from the deepest recession since the

depression of the thirties, we face a basic choice concerning national economic and social policy. We can return to old policies and programs which offer little hope of achieving greater social and economic justice or we can harness the concern and experience of our people to enact fundamental reforms in our economic life. Working together with renewed vision and commitment, we can take a major step toward a more just and humane America. We call upon our leaders to accept this challenge and to enact an effective and workable national commitment to full employment for all Americans.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Monsignor Lally. Again, I wish to commend you for a very excellent presentation. This really is a better explanation of full employment than any I have given myself. The other day I was reading I believe it was a Fortune magazine in which several conservative economists were expressing the idea that we could not possibly achieve even 6-percent unemployment by 1981, without making some rather dramatic or very revolutionary changes in the interstructure to achieve the type of economic growth that we have never yet been able to achieve.

I assume from what you have said that you would disagree with some of the rather ultra-conservative economists of the Nation who believe that the problem is basically one only for the economists, and that the moral consideration of continuing unemployment at such high levels, and the social justices of unemployment are things that we simply ignore in this society of ours. It seems to me the thrust of your statement, is that we lean too heavily on some of these views, and not enough on what the society is all about, and that we should not only consider the economic cost but the moral and social costs that we endure under these current economic policies.

Monsignor LALLY. That sums up very well what we had in mind. I am not in a position to challenge the ultraconservative economists or the unultraconservative economists since I am not learned in that field. There are factors that, underlie the whole society and one is justice to our people, and we think one of the basic claims is the right to a job. If we can't manage that then it calls for structural change, then, I think, we have to work for structural change. If it calls for legislative change, lets have that. Lets have whatever we have to have in order to satisfy that.

Mr. HAWKINS. I see from your statement that you also deny there is necessarily a direct relationship between inflation and full employment and, that it is possible to attack both inflation and unemployment at the same time, and that there is not necessarily a tradeoff between these two factors?

Monsignor LALLY. Well, I know the doctors are divided on this question, and we find ourselves on the side of those who view these two elements should not be played one against the other. While I say I am not in a position to argue that, people who advised us in our economic statements, people have persuaded us that is the position they take.

Mr. HAWKINS. Again, I would like to indicate general agreement with the statement and certainly commend the U.S. Catholic Conference on the excellent position it has taken with regard to this very aggravated problem in our society today. Mr. Sarasin.

Mr. SARASIN. I have no questions.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. Just one, really. I, too, am one who welcomes your comments, especially on youth unemployment. In the community which I represent, if we don't do something very quickly about youth unemployment, the moral fabric, and the social structure of the city are going to be threatened.

Do you have any suggestion as to what kind of specal youth unemployment program should be undertaken?

Monsignor LALLY. I don't have specific recommendations. I have a great concern, as you have, for the problem. Some people in our organization also would have strong feelings about programs and areas of youth unemployment and job training, and the various matters that are under consideration. I think that our problem in that area is we haven't given it the attention it deserves. It doesn't seem to be an unsolvable problem—it seems to be one we have allowed to develop without attention. We have a vast number of people working in the field, who are informed, aware, and concerned; those are the people that can bring us the programs to give us a resolution of that. I hope your committee and some of the other special committees concerned about youth problems will be hearing from them and bring up some solutions that will be helpful.

Mr. HAWKINS. Just one final comment, Monsignor. I notice that the statement of the Catholic bishops issued in 1975 is based on earlier statements going back as early as 1919, and including statements made in 1930. Today, you still are using the same document which seems to imply that we are rather current in the position taken by the Catholic bishops even though we have moved some 40 years in our development. We seem to be confronted with the same old problems and fumbling around for solutions. I think that is a great comment on the statement that it has not been outdated by recent developments.

Monsignor LALLY. I suppose we can say the human concern is an endeavoring concern. That is why it lasts well.

Mr. HAWKINS. Thank you very much.

Monsignor LALLY. Thank you.

Mr. HAWKINS. The final witness is Ms. Kristina Kiehl, director, Employment and Displaced Homemakers Legislation, Women's Lobby, Washington, D.C.

Ms. Kiehl, we welcome you before the committee, and look forward to your testimony.

Your statement, in its entirety, will be printed in the record, at this point. Without objection, it is so ordered.

[The document referred to follows:]

PREPARED STATEMENT OF KRISTINA KIEHL, DIRECTOR, EMPLOYMENT AND HOMEMAKERS PROJECT, WOMEN'S LOBBY, INC.

Mr. Chairman, Members of the Subcommittee, I am Kristina Kiehl and I direct Homemakers and Employment for the Women's Lobby. The Lobby is a national organization with affiliates in forty states that works solely on women's rights legislation. It is a pleasure to appear here today to talk about the problems of women and employment.

Women make up 47 percent of the total labor force in the United States. In fact, women are 43 percent of the unemployed. This makes employment a high priority of women's issue for those 35 million women who work outside the home: 70 percent of these women work because they are single, divorced, widowed,

separated, or to raise the family income to $10,000 a year. Women work for the same reasons men do: they need income.

We make an essential contribution to the economy, but our average income, our job security and our future in the job market is blighted by sex discrimination. Women earn 56¢ for every $1.00 men earn on the average. We are ghettoized in sales, service, and clerical jobs. We are rarely promoted, stigmatized by part time jobs, unrewarded for child rearing and uncompensated for homemaking. We suffer acutely in each economic slump, and our low unemployment benefits reflect our low wage rate. All of our work problems are heightened when we are unemployed. Even President Carter, in discussing special employment needs, cited "young people, minorities, and veterans." Young women and minority women have a much higher unemployment rate than men in their groups. In fact, young black women have a rate of almost 50 percent. Black men and Chicano men have a lower rate than white women. Veterans are perhaps the most overrated group; their overall rate is 8.6 persent (December figures) including 1.8 percent women vets, when the overall rate for women is 8.8 percent! Women, at 51 percent of the population, deserve to be taken seriously. We refuse to compete with minority women and men for a few jobs when government policy must recognize our economic needs.

Current economic policy does not reflect these disparate unemployment rates, or the size of the group—51 percent—that needs to be assimilated into employment. We refuse to subscribe to the "trickle down" effects of a jobs policy that expands the opportunities for men. Little of the existing and proposed legislation addresses our problem. All employment for women hinges on a commitment to equal opportunity and affirmative action. Since 43 percent of the unemployed are women, no policy to strengthen the economy or increase economic growth can ignore such a large segment of the society.

Full employment

H.R. 50, the Full Employment and Balanced Growth Act, looks to an increase in jobs to stimulate private sector employment with the addition of public sector employment to assure jobs to those who want them. This is undoubtedly the best plan for women, because it assures continued planning for employment. We are concerned about the enforcement of affirmative action programs in the the act because those women currently in the work force need better jobs as much as unemployed women need well paying jobs. Additionally, those public assistance recipients already registered for work must be counted as unemployed, ensured jobs, and given priority for placement because their jobs program just doesn't work.

Public works

H.R. 11, to provide increased monies for public works jobs, was written with no thought of women. In fact in lobbying the subcommittee staff, we were told that there was no discrimination against women and minorities in the bill because the bill was a contsruction bill and there were no women and minorities in construction so there was no discrimination. Only 7 percent of the jobs in public works have gone to women. This four billion dollars must be used to provide jobs for us because it is such a large share of federal economic spending for economic recovery. The scope of discrimination requires basic structural change. These are high paying, jobs to make women self-supporting, so they are particularly important.

Comprehensive Employment Training Act

Women have 35 percent of all CETA jobs according to the Department of Labor. These jobs should go to women either at the 47 percent of their participation in the labor force or at the ratio of their representation among the unemployed, 43 percent. The range of public service jobs lend themselves to the labor intensive, human service fields for which women are trained inside and outside the home. Little additional training is needed and our exclusion from public works jobs should make us first in line. These are jobs at the minimum wage, so they are much closer to the average annual earnings for women, $6,000, than the average earnings for men, almost $13,000. They have little upward mobility, but they are beginning steps for unemployed women.

Even this meager share of federal jobs is now being attacked by Vietnam era veterans. There are 558,000 unemployed vets, 1.8 percent of whom are women. In contrast, there are more than 3 million unemployed women, 696,000 are unemployed female heads of household. These figures do not include the almost 3

million women on welfare who are not counted as being unemployed, although they must register for work through WIN.

CETA must have more, not less participation by women at all levels since this is another proram in which the eneforcement of any affirmative action goals has been invisible. To extend the program without some stronger enforcement goals is a blot, but to reserve jobs, in the exact proportions of women's participation, for a male group with a lower unemployement rate leaves us with no hope.

Work incentive program

WIN was designated to give "families [of A.F.D.C. recipients] independence and useful roles in their communities." There are almost three million women on AFDC, eight million children, and only 70,000 men. Frist priority, under the act however, is hiring fathers. Women are second consideration, although the rate of unemployment for male heads of households is 4.3 percent, while that for female heads is 7.0 percent. Only 25 percent of WIN participants were men and they got 35 percent of the jobs. Even in a jobs program designed to meet their needs women are second and they are not employed in a ratio equal to their participation.

Employment legislation holds promise and hope for males, veterans and young minority males. It ignores the 43 percent of the unemployed who are female, or worse, young, black and female. Any failure to address the extraordinary rate of unemployment among women will take a high toll: millions of families living in poverty, millions of children with inadequate support, the insult of unemployment after the denigration of inferior employment, billions of dollars in increased budget deficits and the loss in GNP.

Unemployment will not solve itself—among men or women. Increasing jobs in industries and unions that have ignored thirteen years of civil rights law will not help women without substantial political force to guarantee including women. Don't ask with Freud what do women want—we want jobs.

STATEMENT OF KRISTINA KIEHL, DIRECTOR, EMPLOYMENT AND DISPLACED HOMEMAKERS LEGISLATION, WOMENS' LOBBY, WASHINGTON, D.C.

Ms. KIEHL. Mr. Chairman, members of the subcommittee, I am Kristina Kiehl and I direct Homemakers and Employment for the women's lobby. The lobby is a national organization with affiliates in 40 States that works solely on women's rights legislation. It is a pleasure to appear here today to talk about the problems of women and employment.

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We make an essential contribution to the economy, but our average income, our job security, and our future in the job market is blighted by sex discrimination. Women earn 56 cents for every $1 men earn on the average. We are ghettoized in sales, service, and clerical jobs. We are rarely promoted, stigmatized by parttime jobs, unrewarded for child rearing and uncompensated for homemaking. We suffer acutely in each economic slump, and our low unemployment benefits reflect our low wage rate. All of work problems are heightened when we are unemployed. Even President Carter, in discussing special employment needs, cited "young people, minorities, and veterans." Young

women and minority women have a much higher unemployment rate than me in their groups. In fact, young black women has a rate of almost 50 percent. Black men and Chicano men have a lower rate than white women. Veterans are perhaps the most overrated group; their overall rate is 8.6 percent (December figures) including 1.8 percent women vets, when the overall rate for women is 8.8 percent. Women, at 51 percent of the population, deserve to be taken seriously. We refuse to compete with minority women and men for a few jobs when Government policy must recognize our economic needs.

Current economic policy does not reflect these disparate unemployment rates, or the size of the group—51 percent—that needs to be assimilated into employment. We refuse to subscribe to the "trickle down" effects of a jobs policy that expands the opportunities for men. Little of the existing and proposed legislation addresses our problem. All employment for women hinges on a commitment to equal opportunity and affirmative action. Since 43 percent of the unemployed are women, no policy to strengthen the economy or increase economic growth can ignore such a large segment of the society.

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Thank you.

Mr. HAWKINS. Thank you. The thrust of your statement is that women are being ignored and that they should be given equal priority or equal consideration with men in various programs, such as WIN, CETA, and the others.

Now, in what way do you think that this can be accomplished? Certainly, in the WIN program, for example, there is no provision that discriminates against women. It seems to me to be just the other way around, if anything, but yet men ended up with a better percentage of the jobs than do women. Are you suggesting that provisions for women be inserted in the various proposals? If so, what type of provisions would protect women to the extent you think they should be protected?

Ms. KIEHL. In regards to women, as I said, others are given first priority in jobs.

Mr. HAWKINS. Yes, but that isn't by any particular legislative mandate.

Ms. KIEHL. It is by Federal law.

Mr. HAWKINS. In what way? Does the legislation itself say that men would be given preference over women?

Ms. KIEHL. That male heads of household would be given first priority.

Mr. HAWKINS. Is it worded that male heads of household would be given first priority?

Ms. KIEHL. Yes, sir.

Mr. HAWKINS. I am not familiar with the specific provisions of WIN legislation. However, I don't recall any place where the head of household is designated. If so, that is highly discriminatory.

Ms. KIEHL. Right.

Mr. HAWKINS. Let's assume that is so in that respect. But, in CETA, where there is no such reference, only "heads of household," do you feel that discriminates?

Ms. KIEHL. To finish on the question of WIN—one other addition to WIN is that in the processing of applicants for jobs, with the male heads of household given priority, also, there is a 2-week time limitation in which they have to process their applications, they have to start working on getting them a job. There is no such time limit with the women, so that is one other additional thing.

Mr. HAWKINS. Isn't that administrative?

Ms. KIEHL. Right.

Mr. HAWKINS. Well, the law can't really be blamed for that.

Ms. KIEHL. Within the CETA programs, the bill reflects compromises with specific considerations for different individuals. The provisions of title II and title VI of public service employment, have that the prime sponsor must assure equitable service to significant segments of the community. I would suggest that Congress needs to define significant segments and define those with women incorporated within that definition.

Mr. HAWKINS. Doesn't that come within the direction of doing what you think should be done? In other words, wouldn't you draw the inference from that, that they are referring to women, in that instance, and certainly not to men? If you talk about segments of the population, then, obviously, a large segment is women.

Ms. KIEHL. I am glad we agree.

Mr. HAWKINS. And I would assume that is an attempt to do what you are suggesting should be done, but it is in language subject to misinterpretation, possibly?

Ms. KIEHL. Yes. It is left up to—it isn't defined within title II or title VI. It isn't defined that women are part of the significant segment, and that, I think, that definition of Congress, defining women as an element of that significant segment, since we are 52 percent, I think it has been left up to individual interpretation, whereas, I think it would be better to define it.

Mr. HAWKINS. In drafting the full employment bill and in meeting with women's groups, we did attempt to address ourselves to this problem. The revised bill contains provisions which we worked out

with the women's groups, including one which insures that proper attention must be given to groups that are especially vulnerable to high unemployment and we spell it out, including women, teenagers, and minorities.

Now, would you comment on that type of provision?

There is also another provision in the bill which requires both the Secretary of Labor and the President to make a detailed analysis of the extent to which the enforcement of nondiscriminatory provisions attaining affirmative action is achieved in the operation of the program.

We inserted these provisions in an attempt to do what you say should be done. Would you care to comment on these provisions?

Ms. KIEHL. The problem is definitely enforcement, I think. That is the problem with the full employment. I would suggest, as a means of enforcement, an arbitration for quick settlement of disputes, that it should be included that all employers, whether public or private, have responsibility for establishing and implementing an affirmative action program and that arbitration be used as a means for quick settlement of disputed problems.

Mr. HAWKINS. Do you think that it should be in every piece of legislation?

Ms. KIEHL. With full imployment.

Mr. HAWKINS. Is it not true that under title VII of the Civil Rights Act, at the present time, there is protection which is accorded, that affects both public and private employment and sets up provisions for assuring that there shall be no discrimination in employment, and that the law itself is a protection for women where they are discriminated against in any program?

Ms. KIEHL. There are different problems with enforcement, generally, but specifically, with the full employment bill, I think that the emphasis on affirmative action should be included.

Mr. HAWKINS. You indicated on the first page of your statement that women are stigmatized by part-time jobs. That is rather a general statement, is it not? Isn't there really a great need for part-time jobs? In what way does that stigmatize women any more than it stigmatize any other group? Sometimes a part-time job is what is most desirous.

Ms. KIEHL. I would like to see an expanded part-time program. I was relating to the part-time jobs here in terms of women being underemployed, women being specifically relegated to earning 56 cents for every $1 that men earn. We are stigmatized and ghettoized in one particular group of sales, service, and clerical jobs. I would like to see part-time jobs expanded to all levels of government and all levels of private employment.

Mr. HAWKINS. Your explanation is a little different than my reaction to that statement.

Ms. KIEHL. Right.

Mr. HAWKINS. Thank you very much.

Mr. SARASIN. I am not sure I follow some of the statistics that were mentioned. When you talk about the percentage of women in the work force, and then the affirmative action programs you are working for, and then you say there should be arbitration to state those

issues, are you saying every industry should reflect the percentage in the general population?

Ms. KIEHL. I would like to see industry and Government have the responsibility of proving that they could not find qualified people proportionate to our society to hire within their corporations, yes, I would like to see that, and within Government. I am not sure that is going to be implemented with the full employment proceeding. What I am saying is if we are attacking the problem of unemployment in the economy, and if you are saying that it is worth recogrizing and working on, then, in the different programs, if you are going to have a program such as public works, where women are 1 percent of that program, then we should be compensated, and then 43 percent—if you are basically including 43 percent of those unemployed from one particular public program, then you should be compensated with first priority in other programs, and there should be some mechanism of enforcement within which, so that women are represented to the degree that they are either in the work force or numbered among the unemployed.

Mr. SARASIN. You are saying, if the public works program is going to be geared because of tradition, if nothing else, to men making up the construction industry primarily, and that this will be a greater benefit to unemployed men, that somehow another program should be developed that gears itself to women, so you are saying that there should be a greater percentage of opportunities in the CETA program for women than there are to men because they have another program, if they happen to be in the construction program?

Ms. KIEHL. I think there should be an affirmative action within the public works so women do start being incorporated within public works. You know, you have some that they do get incorporated within the construction trade unions and higher pay jobs, that they go along with that.

Mr. SARASIN. Are there some problems with that—some practical problems with regard to some of the work that has to be done, affirmative action programs—they sound good but they usually end up with reverse discrimination process? At least, that has been the experience.

Ms. KIEHL. I am not righting the wrong of all that went before. I am addressing the fact that 43 percent of the population—it is not as though we are talking about a very small minority that you are trying to offer compensation for—you are talking about 43 percent of the unemployed, and if you are going to address a long-term effect of unemployment on family, on society, then you really are going to have to address the need of 43 percent of the unemployed, who are women.

Mr. SARASIN. I don't have any statistics at hand, but the dramatic increase in the number of women who are seeking employment and are being hired, I think is pretty well documented—those that existed 10 years ago and those that exist today. There are many more women who are employed. If we had the same ratio that existed 10 years ago, the unemployment rate would be much less.

Ms. KIEHL. I think the important element there is that, as I said, 70 percent of women work because they are single, divorced, widowed, separated or raise a family income to $10,000. Regardless of influx of women into the work force, and mind you that 43 percent does not include almost 3 million women on welfare, so it could be a

larger percentage. Certainly, for whatever reason they have entered the work force, at 43 percent or more, they are going to have a large effect on how well you are able to deal with the problem of unemployment. Therefore, I think their needs should be specifically addressed.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, Ms. Kiehl, for a very excellent statement. We are pleased to have had your testimony before the committee this morning.

That concludes the subcommittee's hearing this morning. We stand in recess until further call by the chairman.

[Whereupon, at 11:10 a.m., the meeting adjourned until further call by the chairman.]

[Material submitted for inclusion in the record follows:]

PREPARED STATEMENT OF UNITED NEIGHBORHOOD HOUSES OF NEW YORK, INC.

United Neighborhood Houses of New York, Inc., warmly welcomes the opportunity to present testimony in support of a number of legislative proposals to deal with economic growth, public works and employment. These issues are our priority concern because the unemployment rate of the communities we serve is the highest in the nation. Senator Humphrey noted in his statement in the Senate on March 10, 1977, that youth employment is "one of the most distressing problems facing our economy today." He stated, "Among minority youths, the very hardest hit of all, the February unemployment rate was 37.2 percent and in many metropolitan areas, unemployment rate among minority youths approach an appalling 60 percent."[1] In the South Bronx, where five of our settlements are in operation, the unemployment of adults alone is now over 25 percent. The unemployment rate of minority youth is 47 percent. The combination of long term unemployment for adults and youth unemployment has created a sense of desperation today that can only be matched by some of the worst periods of the great depression.

We believe that it is particularly important to have our statement included in the Congressional Record as an indication that immediate action is being taken thru voluntary service agencies such as ours to affect policies that will give to those without hope today some light ahead and some hope for the future.

Since the turn of the century, neighborhood people—and in particular each wave of new immigrants—have turned to the settlements for help in finding employment, gaining education, and adjusting to the social needs of their new environments. They have come from all directions; they represent different ethnic backgrounds; they spoke and frequently continue to speak a variety of languages.

United Neighborhood Houses was established over 75 years ago as a citywide federation to assist the settlements to bring their services to those in need. UNH speaks for the people in the neighborhoods who have the least capacity to make their voices heard. Today, UNH is the federation of 35 settlement houses and neighborhood centers operating in 70 locations in the poorest neighborhoods which cut across varied ethnic lines.

Certain benchmarks in the history of United Neighborhood Houses and the settlements illustrate not only the particular services rendered but also the value that government has placed on the settlement house movement as a reliable social service system which influences, develops, and evaluates sound social policies. We believe a number of examples selected from the experience of individual settlements and of UNH illustrate our past activities and frame our current efforts to provide an impact on the development and implementation of the employment legislation currently before Congress.

I. Background experience

A. New Deal and wartime issues

As far back as the beginning of the New Deal, UNH staff worked with the organizers of the Office of Production Management (later the War Production Board and the War Manpower Commission) and the Civilian Conservation

[1] Congressional Record, Mar. 10, 1977, p. S3905.

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Corps (the predecessor of the current Job Corps, Vista, and Peace Corps) to develop specific programs for the employment of urban youth on useful and needed services within urban areas.

From the outset of World War II, when the scene changed from high unemployment to labor shortage, UNH was one of the leaders in organizing and operating (through the settlements) Day Care Centers, funded under the Lanham Act, to enable women to be trained so that men could be released from regular employment and thus carry out essential wartime duties.

B. Post-World War II initiatives

In the period after the war, when public funding was withdrawn, UNH and a number of its affiliated settlements managed to keep some of the Day Care Centers alive, so that women in need of employment, to supplement family income, could do so without sacrificing the quality care of their children.

UNH strongly supported the Full Employment Act of 1946, and many of its subsequent amendments. Up to the present time, UNH has consistently advocated the goal of providing public employment in periods when private employment is inadequate.

As youth unemployment in the post-war years began to emerge as one of the most significant urban issues, UNH helped to build up programs that ultimately became Urban Youth Corps, the Neighborhood Youth Corps, and the Summer Youth Employment Program.

The Executive Director of UNH (Helen M. Harris) testifying before the Senate Committee on Labor and Public Welfare on the Youth Employment Act of 1963, emphasized the concern of settlements and neighborhood centers working in low-income neighborhoods that federal funds, on a basis of 75% of cost, be made available to help youth from 16 to 21 "out-of-school and unemployed and for the most part unskilled and in great need of a paying job." From 1965 to 1967, UNH served as the sponsoring agent and administered, under contract, the city's Neighborhood Youth Corps.

C. Current experience

1. Summer youth employment and work training program.—Two employment programs, initiated several years ago but still funded by government, have enabled UNH and the settlements to serve disadvantaged youth during the summer. The Neighborhood Youth Corps (formerly administered by the Youth Services Agency, and now by the New York City Youth Board) provides 240 youth, between 14 and 21, summer employment in 20 settlement house locations. (Two of these use their residential camps to implement this program.) The paid employment is for 24 hours per week for 7 weeks.

Twenty-eight settlements, last summer, participated under a contract with the New York City Human Resources Administration, to place "in school" secondary and college students, aged 14 to 25, in human services assignments, for a 30 hour work week over an 8 week period. UNH coordinated the program, provided supervision, and on-the-job training and identified appropriate work/training experiences. Jobs varied from horticulture, to social work assistance to paramedical aid. (A list of the 345 jobs requested is available.)

2. Bronx youth service system project.—From 1974 to 1976, a special contract with the Office of Youth Development of HEW, provided employment and training to 150 youth between the ages of 13 and 21 in five settlements in the Bronx. The final reports on this project, whose goal was the development of a replicable Youth Services System, may be of use to those planning current projects—in HEW, LEAA as well as in the Department of Labor. Many of the youth who either worked in this project or were serviced by it have already made their views known in New York State and might usefully be heard at the federal level.

3. Contracts funded by the Department of Labor.—Of most direct relevance to the present situation is the series of training and employment programs that UNH has sponsored, with financing by the federal government, through the Department of Labor, since 1970.

(a) MA contracts.—In 1970, UNH initially through a "spin-off agency," the Settlement Houses Employment Development fund) negotiated a contract under the Manpower Development and Training Act (MDTA—the predecessor of CETA) for a Manpower Assistance-Jobs Training program (known as MA-5/Jobs) to hire and train hardcore unemployed individuals. Eligible trainees were

then defined as "a poor person who is either (1) a school dropout, (2) a member of a minority, (3) under 22 years of age, (4) 45 yars of age or over or (5) handicapped."

UNH and its affiliated settlements provided the training and obtained the commitments (mostly from private employers) to hire the individuals.

This initial program, offered in several settlements, covered occupations including legal secretaries, welders and painters, dental assistants, bookkeepers, and workers of varying categories employed in day care. The day care programs, in differing sizes, were continued until the legislation changed.

(*b*) *Public service careers program.*—A second program, rather similar in concept, and funded under the Emergency Employment Act, was designed to train unemployed workers for whom employment either was found within six weeks before the training began or could be provisionally placed with an assumption of continued placement for at least one year. Here, too, UNH took the initiative to organize a consortium of settlements and other day care centers in their neighborhoods to place and train day care workers for public service. (This program has been continued to date and serves as a precedent for CETA programs.)

(*c*) *Manpower information bulletins.*—A somewhat different program, operated in 1973 by UNH, under a one-year grant from the Office of Research and Development of the Manpower Administration of the Department of Labor, provided for citywide distribution of information on job openings, training programs and their requirements. A unique amount of indispensable information was distributed to close to 100 public and private agencies and resulted in a substantial—but insufficient—number of referrals.

(*d*) *CETA contracts.*—As soon as it became possible, under the 1973 Comprehensive Employment and Training Act (CETA), for voluntary agencies to play a direct role as subgrantee or subcontractor to a prime sponsor in the training and employment of unemployed neighborhood persons, UNH took the initiative in approaching the Department of Labor directly, as well as the local "prime sponsor," the city of New York, and in ascertaining from the settlements the use they could make of CETA slots.

UNH, as a contractor under New York City prime sponsorship of funds, has been the administrator of a whole series of CETA programs. Some of these have been funded under titles I and II, and more under title VI. It also administers a contract under title X of the Economic Development Act for the employment of 50 senior citizens in part-time work in 25 different locations.

While UNH initially also sought to obtain funds under title X for essential construction and rehabilitation of parts of settlement house structures, it failed "on the first round" but hopes that new regulations may permit some of the same or similar projects to be funded in the future.

The experience with these projects indicates a number of problems on which we make recommendations below.

(1) Its experience in both the initial negotiations and in the administration of this series of contracts with New York City has lead it to support the concept of prime sponsorship and much of the administrative process.

(2) Under the CETA contracts, UNH and the settlements have had a number of "positive terminations," where individuals obtained employment in the settlements, in private industry, and with other social service delivey systems. (A pamphlet with some illustrations of these "placements" is attached.)

(3) While it believes that the CETA mechanism is pratical—probably more practical than many of the alternative proposals in some of the bills before Congress—its experience also indicates a number of changes which it recommends for future implementation. These changes are outlined in the final "recommendation" section of this testimony.

II. Positions on current legislative proposals

A. Humphrey-Hawkins bills on full employment and economic growth

We strongly urge the adoption of the Humphrey-Hawkins bill as the philosophical framework for the updating of the Full Employment Act of 1946 and the formulation of an essential framework for the fight to increase economic growth, to subsidize employment for all those categories needing aid, and determine the

machinery needed to control inflation.[2] We believe the current, revised draft is a substantial advance over all previous drafts and hope it will now be adopted as a matter of urgency. Further changes can always be made later, but delays in enactment now would be a great disappointment to those, especially those in low income areas, who have participated at each stage of the prolonged debate, and find the "perfectionist" approach merely a way to avoid decisions.

B. Congressional budget resolution

We welcomed the passage of the third 1977 concurrent resolution (now resolution 10) by both Houses on March 10 providing the necessary authority for the implementation of the proposed administration increases in funding for new public works, increased public service programs and additional programs of various types to deal with the youth unemployment and the long-term unemployed. We were delighted to find that the funds finally agreed upon for 1977 were somewhat higher than the initial administration program, especially with respect to the number of slots and the earlier beginning for the new programs. We believe that it would be possible at least for some projects to begin by April, 1977.

We hope there will be no substantial difficulty in obtaining similar authorization for the 1978 amendments submitted by President Carter to the Ford budget, and that for example the existing or increased numbers of part-time slots for senior citizens will again be included (or reinstituted).

C. Substantive employment bills now under discussion in Congress

1. H.R. 11 and S. 427.—We appreciate that a substantial number of bills still under consideration in both Houses deal with potential employment measures—for the long-term unemployed, for young persons, for the elderly. Many of them contain mechanisms and concepts that seem to us in some ways preferable to some of the provisions now included in H.R. 11, as adopted by both Houses.

We are also aware that there are still some differences in the methods of allocating funds, and the number of slots to be made available to different categories of unemployed individuals in the House and the Senate versions.

The House passed version on February 24 (by 295 to 85) would provide an additional $4 billion but a number of States, like New York, would not receive as high a proportion of these funds as under the Senate version, under consideration in the Senate. We believe that the formula proposed by Senators Javits and Moynihan (in opposition to the Heinz formula) which provides increased funding and increased employment slots for neighborhoods with concentrated high unemployment should be retained. Immediate employment—and immediate opening up of needed public service jobs and public works (frequently well along in the planning pipeline) should over-ride such issues as long term equality between geographic areas.

It is our understanding that H.R. 11 contains a number of specific amendments to the current legislation which would expedite the implementation of local projects and facilitate in particular those which respond to clear community service requirements—whether they are undertaken by government or by private contractors. Short-term construction or rehabilitation of community facilities—whether they are public or "alternate" schools, recreation centers for the old and young (we hope including settelment houses) day care centers, community health centers, libraries, urban parks (which have received little help in recent years and are a significant community social resource) are badly needed. Many

[2] We fully support Senator Humphrey's statement.
"To accomplish these goals, our legislation would:
First, require the development of long-term and short-term fiscal and monetary policies to reduce unemployment among adults 20 years of age and older to no more than 3 percent by 1980;
Second, reduce joblessness among teenagers, women, and minority groups to that same level as soon as possible through special job training and antidiscrimination provisions;
Third, rely primarily on the private sector for achievement of these employment goals;
Fourth, temporarily utilize federally-funded public works, job training, and public employment programs at levels necessary to close the gap between private sector performance and the employment goals of the bills;
Fifth, require, to the maximum extent feasible, that people be given the opportunity to move off welfare and unemployment compensation insurance and into jobs; and
Sixth, reduce inflation as rapidly as possible. With the goal that inflation would not be allowed to exceed the rate existing at the time of the bill's enactment."

of our projects have demonstrated that under proper supervision, this construction can be carried out by the currently unemployed. And in many cases the contractors can be minority firms—currently underused and having to fire personnel. As was pointed out in various hearings held, particularly in the House, these projects are not make-work, and may go far to save or rehabilitate communities. We hope therefore that the Department of Commerce will give the legislative definitions the broadest possible interpretation, once new regulations and guidelines are in order.

We hope that the job slots (hopefully up to 600,000 for the resulting public service employment under CETA) are quickly funded and made available to our long-term unemployed, our youth and our senior citizens.

We agree with the procedure under which the Senate, on May 10, merged some of the provisions of S427, analyzed below, with H.R. 11, and postponed action on other provisions to give the Committee on Human Resources a further opportunity to study all of the special youth programs, including those formally submitted by President Carter.

Assuming that the committee acts with the speed and commitment promised by Senators Ribicoff, Randolph, Javits and Stafford, a new text should soon be available for final action.[3] We hope that we can have a further opportunity to make our views known on this text.

Meanwhile, we strongly urge the conferees on H.R. 11 to adopt the Senate version of the bill. We believe that enactment of this bill can have an immediate and substantial affect on the unemployment situation in many neighborhoods served by our settlements in New York City. We believe it can be implemented most rapidly. We are currently developing specific uses that we could make of new slots if they become available.

2. Youth employment.—As in the case of H.R. 11 and its "takeover" of a number of other similar bills, the Carter youth employment package seems to incorporate many of the provisions in S427, initially introduced by Senator Randolph with extensive cosponsors. We hope that the current tabling by the Senate of this bill (which would amend the Public Works and Economic Development Act of 1965, as amended in 1976) by providing additional funds (and Job Slots) to the 1976 Employment Act and by adding a new innovative title, dealing with youth employment permit full consideration of a strong youth program, based on the new Carter proposals, within the next few weeks.

The original text of S427 provided that there be a target population of youth participants aged 16–19 (whether in school or out-of-school) youth would receive the minimum wage, reduced by an amount to partially affect the administrative expenses. Food, shelter and transportation costs would be met where a project is away from the usual residence of most of the participants.

Projects were to be conducted "in such a manner as to permit the youth employed in that project who are in school to coordinate the job with classroom instruction and, to the extent feasible, to permit such youth to receive credit from the appropriate local educational agency or school involved."

Eligible projects included "work on community capital improvements, which would not be otherwise carried out, including the rehabilitation, alteration or improvement of public facilities, neighborhood improvements, including basic repairs, to low income housing; and conservation, maintenance or restoration of natural resources on publicly-held lands."

Applicants undertake to develop sufficient projects to provide 12 months of employment and training for each enrolled youth.

$1,500,000,000 would be appropriated for the period ending September 30, 1978.

In allocating the funds, the Secretary of Commerce must take into consideration the "severity of unemployment among youths eligible for assistance."

While the Federal participation is limited to 80 percent of the project costs, the Secretary can reduce or waive that match if the taxing or borrowing power of the applicants is exhausted. Eligible applicants are state and local governments, but each must establish a designate or "local nonprofit corporation" which will, in part, administer the program. Each corporation shall include "at least one representative of: the local government, local educational institutions, the business community, labor organizations, community-based organizations, and the local manpower office."

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[3] Cf. Congressional Record, March 10.

The Secretary of Commerce is to issue regulations concerning the organization and responsibilities of such *local corporations*.

We realize that until a bill has been adopted in each House, and the usual conference between the Houses is completed, it is impossible to foresee accurately either the final allocation of funds or slots or how much of the total package will go to one area or another or to youths as against the long-term unemployed, or to senior citizens.

However, as at present drafted, we strongly support the provisions left over from this bill, and H.R. 11 discussed above. We understand that they, and President Carter's package, complement each other, rather than being in competition.

3. H.R. 3477—Tax reform and budget credits.—Although the tax and credit issues form part of the total economic growth and employment package, U.N.H. is currently refraining from taking any position or offering any testimony on these bills. We feel that while they clearly have direct implications on the economic and social well-being of our clients we wish currently to limit our efforts to the issues which bear directly on public works, their employment potential, and the problems that arise in implementing employment legislation.

III. Recommendations for inclusion in employment legislation and/or regulations

UNH, as indicated earlier, is a voluntary subcontractor with a "prime sponsor" (New York City) which currently operates both CETA II and CETA VI projects, as well as a large project under title X of the Economic Development Act (senior citizens). On the basis of our experience, we wish to discuss a number of issues—some of which may seem relatively small in the national content but which we believe have wider implications than our own local jurisdiction.

A. Conflict of interest affecting prime sponsors

The obvious conflict of interest between the desire of a governmental agency to use slots to rehire its own unemployed personnel, (who may or may not live in areas of highly concentrated unemployment) and of neighborhood based voluntary agencies to place those unemployed who are known to them, may frequently result in bureaucratic tugs of war—and injustice on either side.

We suggest that clear guidelines (or even legislative earmarking) make it impossible for the "sponsor" to use more than a stated number of available slots for persons whose last job or last period of employment (under a specified time table) was in a direct Government job. (This should not include persons who were paid from Government funds—such as day care employees—but employed by a private sponsoring agency—voluntary or profitmaking.)

In addition, in New York City, with its very real fiscal crisis, there is very little likelihood of CETA employees obtaining jobs in the public sector, especially since the very correct aim of the city administration is to increase productivity. Therefore, if CETA slots are to reach the hard core unemployed, the prime sponsor should not be permitted to assign only 3 percent of its slots to private agencies where the possibility of "positive" employment is substantially greater.

B. Administrative issues (including cash flow)

1. Administrative costs.—Under some present contracts, the administration becomes a financial burden to the administering agency. Some slots can be used for bookkeeping, secretarial or clerical processes and related costs. Guidelines provide that between 15 to 20 percent of the sponsor's grants can be used for administrative costs. However, these funds are not being adequately passed through to the subcontractors. Frequently, a contractor, such as UNH, receives only 8 percent—an amount which does not cover telephones, postage, rent and other key expenses essential to effective programming and supervision.

2. Cash flow.—Another problem frequently arises from delays in obtaining payments from the "prime sponsor". Payrolls must be met, and delays are particularly onerous on persons who are working on CETA activities because of their unemployment situation. The administering agency can sometimes find the money temporarily to meet this cash flow problem—but the larger the contract and the longer the delay, the more difficult it is to meet.

A major study done by the Greater New York Fund, entitled "The Impact of the City's Fiscal Crisis on Health and Welfare Agencies" makes specific references to the hardships that agencies are having, and points out that in order to meet payrolls, some agencies have had to liquidate assets and many have had to obtain interest-bearing bank loans for this purpose.

We would urge that some requirements—and possibilities—for cash advances be written into future funding arrangements in governmental contracts.

3. Fringe benefits and increments.—A further tightening up is needed of the requirements concerning fringe benefits and increments. In order for CETA employees to feel "equal" to their peers in employment, they must be treated "equally." Increments should be permitted for CETA employees on a basis equal to other employees.

Moreover, where CETA employees are working in an agency with "high" benefits there may be a "disincentive" to move to positive employment with lower benefits. Some uniform standards and guidelines should be developed.

. Positive placements and "slot" losses

The whole issue of use of slots made available by "positive" placement needs restudy. An employer with a "good" CETA employee may be less helpful in finding placement if there is no assurance of receiving a replacement. Closely related to this issue is the loss of a slot either if an employee leaves because of displeasure in the job or is fired "for cause." The loss of the slot complicates both job relationships and productivity. Some alternative, based on administrative hearings, should be developed so that neither is necessarily penalized.

D. Work habits

Especially with relation to youth employment, the whole issue of "work habits" and how many "points" they should be given needs more careful consideration than the general statements in the current bills and regulations.

E. Public service and public facilities

1. The definition of "public service," as indicated above, needs to be re-examined. Current guidelines from HEW—especially if they are to be applied to the training and employment of youth—could usefully be made more specific and more detailed. (We would be happy to participate in an advisory committee to develop appropriate criteria.)

2. The nature or rather definition of the "public facilities" that may be improved or restored under the public works provisions should be both wider and more precise. For example, "recreation centers" are now given as examples of potential facilities. Must these be publicly funded, or could they include facilities in settlement houses used for community—or settlement—recreation? What must be the relationship of "facilities" to use or to funding? What would be the position of a youth center—or senior center—or a day care center—in a settlement house, or for that matter in a church? They are now clearly eligible if they are in public housing, but are they eligible if they are in "publicly subsidized housing": partially publicly funded by special grants; serving the public but not publicly funded; or only partially funded? We believe specific guidelines would obviate future problems of interpretation.

E. Participation in planning

Still another—related problem—arises over representation of voluntary groups, provider agencies, "consumer" agencies, advocate bodies, youth constituents in both the advisory groups and the MAPCI structure. The current structure—while well intentioned—strongly supported in the legislation and defended the discussions in Congress, have proved in practice to be either useless discussion groups or political "trade off" forums. We believe both the structure and the concept of these bodies needs to be more thought through, and that they must be far more closely related to the varying needs of different neighborhoods.

We hope some of these specific recommendations can still be dealt with at the congressional or Federal administrative levels.

HOUSE OF REPRESENTATIVES,
Washington, D.C. February 22, 1977.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, Committee on Education and Labor, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The attached communication was sent to my attention recently. Mr. Kelzenberg is recognized as highly knowledgeable of the workings of the CETA program, and I would like to share his remarks on the President's economic stimulus package with the members of your panel at this time.

In addition, I would like to request that Mr. Kelzenberg's statements on behalf of the AIETA be included as part of the record compiled during the subcommittee's hearings on the proposal.

Your attention to this correspondence is greatly appreciated.

With best personal regards, I remain,

Sincerely,

JOHN BRADEMAS.

Enclosure.

CITY OF SOUTH BEND,
South Bend, Ind., February 7, 1977.

Senator BIRCH BAYH,
Senator RICHARD LUGAR,
Members of the Congressional Delegation, State of Indiana

HONORABLE GENTLEMEN: The Association of the Indiana Employment and Training Administrators is a group which represents every CETA Prime Sponsor in the State of Indiana. Please accept this letter as part of our effort to keep you informed of CETA implementation problems. The economic stimulus status proposed by President Carter has a direct bearing on programs which we administer. In general, we are extremely pleased and supportive of the directions contained in the package. However, as administrators, there are several aspects of the proposed package which may pose some problems in implementation.

In the first place, we do not feel that the hiring goals of 55,000 additional participants a month nationally will pose serious problems. We are in better shape to implement additional public employment efforts now than at any time in the past. Most of us have solid working relationships not only wth local governmental Departments and Bureaus, but with non profit agencies as well.

However, the mandate that all new Title VI positions be of a project nature will cause considerable difficulty. We realize that the emphasis on projects is connected with the desire to avoid substitution of Federal Funds for Local Funds and wholeheartedly agree with that emphasis. Nevertheless, the present definition of a project as well as the limitations on supplies and equipment as well as problems connected with infringing on Union activity will make the matter somewhat difficult.

We must also indicate that the restricted eligibility criteria for participants will pose serious problems. We are entirely sympathetic of the need to serve the chronically unemployed, but no matter how obvious it is to members of Congress that Public Employment is not the first line of defense for the problems of the unemployed, it is by no means understood by the thousands of laid off workers in Indiana. Unemployment Compensation benefits are simply not equivalent to a job.

One of the most disturbing aspects of the stimulus package concerns the mechanism for implementing the various programs to be created under Title III under CETA. Apparently, the decision has been made to force jurisdictions to compete against one another for the available funds. The request for proposal method as opposed to an allocation formula is a return to practices of the past with respect to Manpower Programs. Living under the umbrella of CETA for the past three years has allowed us as administrators to expend our energies on an efficient use of allocated resources and avoid expending the considerable amount of energy necessary when one must play the RFP game against other eligible sponsors. We would strongly urge that Congress select for all desired programs a means of allocating the money based on need. We are very much aware that current unemployment rates in our State are not as severe as other states. We are willing to live with a fair share formula based on our relative needs.

On behalf of all members of the Association, thank you for your consideration of these matters.

Sincerely,

ELROY J. KELZENBERG,
President, AIETA.

AMERICAN FEDERATION OF STATE,
COUNTY AND MUNICIPAL EMPLOYEES,
Washington, D.C., March 8, 1977.

HON. AUGUSTUS HAWKINS,
Chairman, Housing Subcommittee on Employment Opportunities, Rayburn Building, Washington, D.C.

DEAR CHAIRMAN HAWKINS: On behalf of the 75,000 members of the American Federation of State, County and Municipal Employees, I would like to commend you for moving quickly in your new capacity as Chairman of the House Subcommittee on Employment Opportunities to hold hearings on the problems of unemployment and to extend the Comprehensive Employment and Training Act, which expires this September.

AFSCME supports a simple one year extension of CETA with only minor technical amendments necessary to assure a smooth continuation of the program. Extending the program for a year will provide time for extensive public debate on possible substantive changes in the law.

AFSCME believes that a thorough review of the federal government's public service jobs program is essential. Three years of experience with the present program has vividly and painfully demonstrated to us that, even with the Act's labor protections, the injection of a significant number of CETA workers into existing public personnel systems has created the potential for undermining the job security of public employees and for disrupting or eroding labor contracts, the normal labor relations process, and wage and benefit standards. The onset of layoffs in fiscally hard-pressed state and local governments exacerbated these problems by creating situations in which regular employees lost their jobs while new people were being hired often at lower wages and benefits. And, incidently, while we fully support youth employment programs, we are fearful that, unless carefully designed, they too will present us with the same problems.

There experiences have raised questions in our mind about the proper role, design, expectations and possible limits of the federal public service jobs program especially in view of present discussions about an expanded public jobs component in the welfare program. For example, is it reasonable to expect the public jobs program to create a net increase in jobs when some states and cities may be legitimately cutting back on personnel? Is it possible to structure the program to take into account the critical fiscal problems of some of our central cities? Does the federal government want to undertake a policy that results in the creation of a dual workforce consisting of low-skilled, low wage employees working under entirely different conditions of employment from regular workers? What are the implications of this kind of policy for cities' ability to deliver public services, for the existing regular workforce, for public sector labor relations, and for the program participants?

Our experiences with CETA and these kinds of questions also suggest that while public service jobs is an important tool in helping reduce unemployment, the federal government cannot rely on it alone. The Congress began to recognize this last year when it enacted the Public Works Employment Act of 1976, which contained the countercyclical aid program for state and local governments. One of the reasons for the countercyclical aid program's acceptance was the realization that the CETA public service jobs program could not work effectively unless state and local government employment were stabilized. It also was realized that unemployment must be attacked through a multiplicity of programs and policies. The Carter Administration has correctly adopted this principle in its economic stimulus package.

We need, however, a much more concentrated and coordinated approach to the problems of unemployment. That is why AFSCME also supports the kind of coordinated planning specifically designed to reduce unemployment embodied in H.R. 50. Unless we have such a comprehensive strategy, programs like CETA will add up to nothing more than playing a game of musical chairs, where we change the jobholders but do not increase the number of jobs and where we divide different groups in our society against each other.

Now with an Administration committed to attacking unemployment working with your subcommittee and the Congress, there is a chance that we can begin to make real progress toward the goal of full employment in an equitable and just fashion. AFSCME looks forward to working with you and your staff as you undertake this difficult challenge.

Sincerely,

WILLIAM B. WELSH,
Executive Director for Government Affairs.

NATIONAL CONFERENCE OF STATE LEGISLATURES,
Washington, D.C., February 15, 1977.

Hon. AUGUSTUS F. HAWKINS,
Chairman, Subcommittee on Employment Opportunities, House Office Building Annex 1, Washington, D.C.

DEAR MR. HAWKINS: As Chairman of the Government Operations Committee for the National Conference of State Legislatures it is with great interest and concern that I follow the actions taken by your subcommittee to reduce both adult and youth unemployment.

I would like to take this opportunity to convey to you and your committee members several of our positions on this important issue.

The National Conference of State Legislatures endorses the concept of Comprehensive Employment and Training Act of 1974 (CETA) as a position effort to enhance federal-state cooperation in developing our most valuable resource individual productivity. The National Conference of State Legislatures believes, however, that federal, state and local resources could be further enhanced through the expansion of the employment block grant to include the consolidation of other manpower-related programs. Such consolidations of manpower-related programs would promote comprehensive and integrated service delivery compatible with national, state and local priorities. Programs which should be considered for consolidation include the Work Incentve program, Vocatonal Rehabilitation, Vocational Education, Employment Service and Job Opportunities Programs.

Consolidated federal programs should be coordinated in each state according to a comprehensive statewide plan, which should involve each state's executive and legislative processes. This should also include legislative oversight. The statewide plan should include provisions for a mandatory pass-through of funds to local governments. Moreover, to assist and assure greater involvement by the state legislatures in the planning processes of federal grants, legislatures should be given equal access to federal planning grants.

Within the CETA program, the National Conference of State Legislatures strongly favors Public Service Employment (PSE). We felt this to be a viable mechanism to afford individuals meaningful job experiences, while improving service delivery to state and local jurisdictions. However, the National Conference of State Legislatures advocates that more Public Service Employment positions be directed toward the needs of state government. As the CETA approach now operates, a state government whose capital is in a prime sponsor area must compete with local governments which control the federal manpower funds. We would like to see an allocation for state governments or a priority designation for state government PSE requests. Moreover, these employment positions should be made available to the state legislatures for work in nonpolitical positions.

In conclusion, Mr. Chairman, the nation's State Legislatures wish to work closely with Congress in the development of coordinated federal and state programs which re-enforce one another. We cannot achieve our mutual goals through fragmentation of available resources. Working together, I believe we can maximize our energies and our resources to the greater benefit of our common constituents.

I hope these comments will prove to be helpful to you and your committee members as you address the unemployment problems of our nation. I would appreciate these remarks going into the record of your hearing. If the staff of the NCSL can be of any further assistant to you, please do not hesitate to contact Paul Sweet or Joyce Clements at 624-5409.

Very truly yours,

WILLIE BROWN,
Chairman, Government Operations Committee.

THE FULL EMPLOYMENT AND BALANCED GROWTH ACT OF 1977; AUTHORIZATION OF APPROPRIATIONS FOR CETA, AND THE PRESIDENT'S ECONOMIC STIMULUS PROPOSALS

MARCH 16, 1977

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
OF THE COMMITTEE ON EDUCATION AND LABOR,
Washington, D.C.

The subcommittee convened in room 2261, Rayburn House Office Building, at 11 a.m., pursuant to notice, Hon. Augustus Hawkins (chairman), presiding.

Members present: Representatives Hawkins, Weiss, Corrada, Sarasin, and Pursell.

Staff present: Susan Grayson, staff director; Carole Schanzer, clerk and administrative assistant; and Nat Semple, minority legislative associate.

Mr. HAWKINS. The Subcommittee on Employment Opportunities is called to order. The Chair would like to announce this is a continuation of hearings on various employment proposals before the committee including the President's economic stimulus package, the extension of the Comprehensive Employment and Training Act, the Full Employment Act, and other bills relating to manpower. It is our privilege this morning to have before the subcommittee Mr. Ernest Green, Assistant Secretary of Labor for Employment and Training.

However, before introducing him, may I enter into the record at this point several communications that have been received by the subcommittee in response to a letter which was addressed to various groups who have testified before the committee during the hearings heretofore in connection with the simple extension bill which was introduced by the chairman of the committee. But the witnesses from whom we have received replies did not have the benefit of the administration's proposal at such time as they testified before the subcommittee. Upon receiving the administration's proposal for the extension of the CETA program, we did correspond with the various witnesses and asked for their comments.

In reply thereto, we did receive from the chamber of commerce a letter which, in essence, is opposed to the repeal of the 20-percent provision. The U.S. Conference of Mayors replied they were opposed to the repeal. They did, however, indicate some acceptability of a form waiver. However, the Conference of Mayors was opposed to the veterans preference provision.

We have a letter from the National League of Cities also opposing the repeal of the 20 percent provision as well as the veterans' preference. In essence, these groups who did respond to our letter were for a simple extension. We have also received from the National Governors' Conference a letter which, essentially opposes the repeal of the 20 percent and also the veterans' preference. The National Association of Counties has taken the same position with respect to the administration's amendments.

Without objection, the subcommittee's letter will be entered in the record at this point as well as the responses which we received from the witnesses who have heretofore testified before the committee. We did this as a means of bringing the hearings up to date.

[The letters referred to follow:]

National League of Cities
1620 Eye Street, N.W.
Washington, D.C.
20006
(202) 293-7310
Cable: NLCITIES

OFFICERS

March 15, 1977

The Honorable Augustus Hawkins, Chairman
Subcommittee on Employment Opportunities
House Committee on Education & Labor
Rayburn House Office Building
Washington, D. C. 20515

Dear Congressman Hawkins:

Thank you for the opportunity to present our views on the Administration's proposed amendments to the Comprehensive Employment and Training Act. It was initially our expectation that Congress would adopt a simple one-year extension of the nation's major employment initiative and would seek no substantive amendments to the basic legislative structure at this time. As we indicated in our testimony, presented to your Subcommittee on February 22, our experience with the CETA program has been overall satisfactory given the constraints under which it was first implemented. We are quite concerned that at this late date, there will be attempts to initiate several "minor" changes. We are concerned with both the strategy of "just a few amendments" as well as with the substance of the proposals. It is our thought that once the door to amending the legislation is opened, there will be no end to the various amendments proposed, with a consequent delay in re-enactment. Those that will suffer most from a failure to extend CETA will of course be the unemployed -- those who can least afford delay in receiving assistance.

We are also quite concerned with the substance of the proposed changes. As you well know, the previous administration, through regulations, attempted to impose a mandatory percentage requirement in hiring veterans. While this requirement was feasible in some jurisdictions, it was not in others. The outcome in those jurisdictions which were unable to meet the quota -- because those who qualified did not reside in those communities -- was that the entire program came to a grinding halt. This scarcely meets the intent of the legislation, nor does it serve the unemployed well. We realize that the Administration's language does not propose any percentages -- but that is the logical next step, a step we vigorously oppose. Unless there is clear legislative language restricting the Department of Labor from imposing mandatory national quotas, we cannot support this amendment.

We are alarmed at the Administration's proposal to repeal the 20% requirement in Titles III and IV. The intent of this suggested change appears to us to bode ill for the future of employment programs operated

at the local level -- programs currently based on local understanding of local problems and needs. What we see is an attempt to erode the block grant concept and to re-categorize employment programs. This approach has been tried and found wanting, and we see little point in returning to a discredited past.

Again, Congressman, thank you for soliciting our views on prospective changes to this most important program.

Sincerely,

Alan Beals

Alan Beals
Executive Director

UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, NORTHWEST

WASHINGTON, D. C. 20006

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Executive Director
JOHN J. GUNTHER

March 15, 1977

The Honorable Augustus F. Hawkins, Chairman
Subcommittee on Employment Opportunities
Committee on Education and Labor
House of Representatives
B-346A Rayburn House Office Building
Washington, D. C. 20515

Dear Chairman Hawkins:

Thank you for the opportunity to comment on the Department of Labor's proposed amendments to the extension of the Comprehensive Employment and Training Act (CETA) through Fiscal 1978.

On behalf of the National League of Cities and United States Conference of Mayors, we make the following comments for the Subcommittee's consideration.

(1) That the provisions of Section 4 (e) of the Act be "waived" for Fiscal 1978, rather than "repealed" as requested by the Department of Labor. A waiver would allow the Department the flexibility it needs to implement the jobs portion of President Carter's stimulus package, while at the same time not setting a precedent which would impinge future considerations relative to the integrity of the CETA Title I mechanism. We agree to the need for relaxing the requirements of Section 4 (e) during the extension period; however, to "repeal" connotes a permanent removal of this section. In the interest of the prime sponsor concept the National League of Cities and United States Conference of Mayors cannot support the deletion of Section 4 (e) from the Comprehensive Employment and Training Act of 1973 as amended.

(2) That mandated preference for any groups be deleted during Fiscal 1978, due to the severity of unemployment problems being faced by all segments of the American population. The National League of Cities and United States Conference of Mayors has always supported efforts to address the problems of Veterans. In the short-run, however, emphasis should be placed on the generation of new employment opportunities for everyone displaced by this crisis, with as few impediments as possible, and with targeting of resources to those most in need.

Thank you again for this opportunity. I trust our comments will be helpful to you and the Subcommittee in your efforts to move quickly on the extension of CETA.

Sincerely,

Robert Anderson

Robert Anderson
Director of Manpower

Chamber of Commerce of the United States
LEGISLATIVE ACTION VICE PRESIDENT
HILTON DAVIS
202 659-6140
1615 H STREET N.W.
WASHINGTON D.C. 20062

March 16, 1977

Honorable Augustus F. Hawkins
Chairman
Subcommittee on Employment Opportunities
Committee on Education and Labor
Rayburn House Office Building - Room B346A
Washington, D. C. 20515

COPY

Dear Mr. Chairman:

Thank you for requesting our views on the Administration's proposed amendments to the Comprehensive Employment and Training Act (CETA). On March 14, we submitted to you our views on the stimulus package, CETA extension (H.R. 2992), and the Full Employment and Balanced Growth Act (H.R. 50). This letter briefly summarizes the National Chamber's views on CETA reauthorization with particular emphasis on the questions you raised in your March 10 letter to us.

First, the Chamber recommends that the subcommittee consider a two-year extension of CETA to facilitate prime sponsor planning and to permit a continuing evaluation of CETA as the economy improves. This will allow the program to concentrate on the structurally unemployed with due regard for the phasing out of public service jobs as the economy improves. The proposal of Labor Secretary Marshall that mechanisms are needed in Title VI to "phase the program down as unemployment falls" has merit. We do not see why consideration of such proposals should be delayed.

Second, the general purpose of CETA's manpower programs is to be responsive to local conditions. CETA oversight hearings held last year documented the strength of comprehensive planning at the state and local level. The Chamber supports this concept of decentralization. The purpose of Section 4E, which establishes a 20% limitation for national programs under Titles III and IV, is to assure that this revenue sharing concept be carried out. Therefore, we oppose a blanket repeal of Section 4E.

We would appreciate your consideration of these positions.

Cordially,

Hilton Davis
Vice President
Legislative Action

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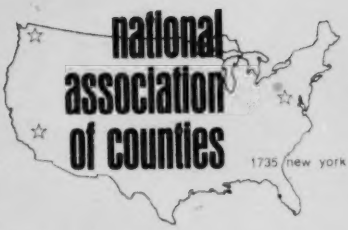

1735 new york avenue, n.w., washington, d.c. 20006 (202) 785-9577

March 15, 1977

Congressman Augustus Hawkins
Chairman, Subcommittee on
Employment Opportunities
B346A Rayburn House Office Building
Washington, D.C. 20515

Dear Congressman Hawkins:

Thank you for soliciting our views on the Administration's proposed amendments accompanying their CETA extension.

There is obviously no need to repeal section 4(e) since the Senate has arrived at a youth compromise that the Administration supports.

While realizing that the House has yet to establish its priorities on this issue, the Administration no longer can use youth as a viable excuse to request a repeal of section 4(e). NACo would not support a repeal of this subsection even if the youth compromise had not been reached. We are against a return to categorical programs. Targeting on areas of unemployment and on specific client groups can be achieved through an allocation formula based on need and clarification of Congressional intent on client eligibility.

Although veterans' preference is common throughout state and local civil service systems, we are concerned with the untenable trade off of lowering participation of women in public service jobs in exchange for the hiring of veterans. In fiscal 1976, women held 37.6% of the title II jobs and 35.1% of the title VI jobs. During that period women constituted 39.5% of the labor force who had been unemployed 15 weeks or more. In the public employment program under the Emergency Employment Act of 1971, women held only 28% of the jobs when the regulations had a mandatory quota of 40% for veterans. The Congress must accept the responsibility for this result if it votes on a veterans' preference.

If your subcommittee is interested in opening up a one-year simple extension to technical amendments then NACo would suggest a clarification of section III to maximize the participation of the welfare population. Also, we would support an amendment similar to section 3(b) of S.503 which states:

> "All funds available for prime sponsors for administrative costs under titles I, II, III, VI, and VII of the Comprehensive Employment and Training Act of 1973 may be obligated for the payment of administrative costs for any such title."

This would simplify paperwork and program administration at the prime sponsor level.

We would be happy to discuss our views with you and members of the subcommittee.

Regards,

Jon Weintraub

Jon Weintraub
Legislative Representative

cc: Members of the Subcommittee

Enclosure: Suggested questions

National Governors' Conference

Reubin O'D Askew
Governor of Florida
Chairman

Stephen B. Farber
Director

March 15, 1977

Chairman Augustus F. Hawkins
Subcommittee on Employment Opportunities
House of Representatives
B-346A Rayburn House Office Bldg.
Washington, D.C. 20515

Dear Chairman Hawkins:

Thank you for the opportunity to comment on the amendments proposed by the Department of Labor to CETA. I have discussed the issues with Governor Kneip's office and they concur with the following observations.

1. Vietnam-era Veterans Preference

As indicated in Governor Kneip's testimony we have serious reservations regarding the need to give one sub-target group any more special preference other than that which already currently exists within the existing eligibility criteria. The proposed national action is not matched by need.

The geographic distribution of young veterans is uneven with the highest concentration within large urban areas. The local prime sponsor plans should, and no doubt do, reflect these concentrations. The Department of Labor should exercise its monitoring responsibilities and assure in those instances the Vietnam-era veteran is proportionally represented in the isolated areas.

If youth and women, young black women in particular, have an unemployment rate of almost 50%, should they too be given a national preference? We would argue that within the current eligibility criteria the needs of the woman as well as the vet will be met in a more equitable fashion without further arbitrary targeting.

The Department initiative, already underway, to hire 2000 plus additional veteran representatives from their own ranks to act as brokers should suffice to assure the special preference which the Administration is seeking plus the special program HIRE which is also targeted towards vets.

2. Repeal of Section 4e 20% Limitation

It is necessary to state a series of assumptions prior to our recommendations - they are as follows:

1. There will be a significant increase in total funds available, primarily due to increase Title II and VI funding particularly in fiscal year '77 which will critically increase the total funds available within the current 20% limitation.

2. The Administration will continue to request a one-year simple extension of CETA and will provide later this year their suggestions for any major revisions in the whole program.

3. There will be passed during this year a separate title under the act specifically focusing on youth employment opportunities somewhat closely aligned with the contents of the President's letter on March 9. This would negate the need to increase title III funding authority for youth programs which represents the bulk of the proposed '77 and '78 fiscal increases which apparently prompted the request for the repeal.

Given these three assumptions, the repeal does not appear to have any substantive need incorporated within the request.

In addition, the National Governors' Conference has had a long standing policy urging the Congress and the Administration to provide sufficient resources through the prime sponsor network avoiding to the maximum extent possible duplication of delivery systems, a repeal of the 20% limitation would establish a pattern of the development of more programs administered at the national level which will further fragment services to the individuals most in need of services.

Thank you for the opportunity to provide our comments.

Sincerely,

Joan L. Wills

Joan L. Wills, Director
Employment and Vocational
Training Program

JLW/cs

STATEMENT
on the
PRESIDENT'S ECONOMIC STIMULUS PROPOSALS,
AUTHORIZATION OF APPROPRIATIONS FOR CETA (H.R. 2992), and
FULL EMPLOYMENT AND BALANCED GROWTH ACT (H.R. 50)
for submission to the
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
of the
HOUSE COMMITTEE ON EDUCATION AND LABOR
for the
CHAMBER OF COMMERCE OF THE UNITED STATES
by
Paul A. Reardon and Millicent W. Woods*
March 14, 1977

The Chamber of Commerce of the United States welcomes this opportunity to express its views on various legislative proposals to increase employment opportunities. In general, we support a modest stimulus package, support extension of the Comprehensive Employment and Training Act (CETA), and oppose enactment of the Full Employment and Balanced Growth Act.

These issues are of vital concern to our membership which includes 66,000 business firms, chambers of commerce and trade/professional associations.

Our comments are under three major headings, as follows:

1. Emergency Economic Stimulus Package
2. Comprehensive Employment and Training Act Extension
3. Full Employment and Balanced Growth Act

EMERGENCY ECONOMIC STIMULUS PACKAGE

The President's Proposals

On January 31, 1977 in a message to the Congress, President Carter proposed "a two-year $31.2 billion economic recovery package, whose budgetary costs will be divided almost equally between fiscal year 1977 and 1978." The main components of the package included:

-- an increase of $4 billion in authorizations for local public works;

-- an expansion of public service employment by 415,000 jobs;

-- an expansion of training and youth programs under the Comprehensive Employment and Training Act (CETA) by 346,000 positions;

-- an increase in the countercyclical revenue sharing program designed to pay out an additional $1 billion a year at current rates of unemployment;

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*Dr. Reardon is a Senior economist in the Chamber's Economic Policy Division; Ms. Woods is the Associate Director for Education, Employment and Training.

-- a $4 billion program of tax reform and simplification for individuals, through an increase in the standard deduction;

-- individual tax rebates, and payments to Social Security, Supplemental Security Income (SSI) and Railroad Retirement beneficiaries, which will total $11.4 billion;

-- an optional credit against income taxes equal to 4 percent of an employer's social security tax payments or an additional 2 percent investment tax credit for businesses.

On February 22, 1977 in his message on budget revisions, President Carter revised the FY 1977 and FY 1978 budgets proposed by his predecessor. These revisions would effectively increase the stimulus to about $17 billion for FY 1977 and about $27 billion for FY 1978, a two-year total considerably higher than the originally proposed two-year $31.2 billion stimulus package. The Administration forecast is that this will result in budget deficits of $68 billion for 1977 and $57.7 billion for 1978. Congress is expected to approve the conference report on HConRes 110 with a projected deficit of $69.7 billion for FY 1977. A Chamber forecast, based on less favorable assumptions, is for a $73.0 billion deficit in FY 1977 and a $65.0 billion deficit in FY 1978.

Congressional Modifications of the Stimulus Package

On the tax portion of the package, the House Ways and Means Committee proposes the following amendments to the Administration's proposals:

Provide for a phaseout of the 1976 tax rebate for those earning $25,000 or more and that $50 payments go to recipients of AFDC, black lung benefits, and veterans compensation and pensions. (The Administration's proposals do not include the phaseout of the rebate or the three classes of beneficiaries.)

Provide for a standard deduction for single persons of $2,400. (The Administration's proposal provides a standard deduction of $2,200 for single persons.)

Provide a jobs tax credit of 40% on the first $4,200 of wages paid to new employees. (The Administration's proposals provide business with the option of a 2% increase in the investment tax credit or a tax credit against income taxes equal to 4% of an employer's social security tax payments.)

On the public works portion of the package, the House of Representatives has passed H.R. 11 which authorizes a $4 billion increase in FY 77, for an overall total not to exceed $6 billion, which will be available until appropriated. The Congressional Budget office estimates spendout rates will be 4% ($160 million) in FY 77, 54% ($2.2 billion) in FY 78, 35% ($1.4 billion) in FY 79, and 7% ($280 million) in FY 80, based on the experience of the Public Works Impact Program of 1972-73. The Administration estimates FY 77 outlays will be 10%

The Senate is expected to follow the House proposals, but the Senate Public Works Committee seeks to attach controversial amendments for $9 billion for 2-year sewage-treatment grants, plus $1.5 billion for teenage hiring.

Chamber Comments on the Stimulus Package

In general, the Chamber agrees that modest stimulus to the economy can be justified. Therefore, we favor a fiscal policy that provides moderate stimulus in the short run. Tax cuts would be more appropriate than increased government spending. Such tax relief should be permanent to the maximum extent possible, avoiding the on-off nature of previous changes which have been destabilizing to the economy.

More specifically on the stimulus package:

1. The Chamber believes a permanent individual tax cut is preferable to a one-time tax rebate. A $50 per person rebate will temporarily stimulate the economy, but the effect will wear out quickly and the timing may create problems. Federal Reserve Board Chairman Arthur Burns has noted the possibility that economic growth could slow late in 1977 or in 1978. If this occurs, the temporary stimulus from the one-shot tax rebate will be worn out by the time it is needed. A permanent individual tax cut, however, would provide continuing stimulus through 1977 and 1978.

2. There is too little stimulus for job-creating investment in plant and equipment. Non-residential investment is well below the rate of investment during economic recoveries since World War II. Merely increasing consumer spending through individual tax cuts will not be enough to stimulate investment on a timely basis. President's Carter's proposed increase in the investment tax credit from 10% to 12% should be adopted and made permanent. This will achieve two objectives. It will help create private sector jobs now and also provide the necessary tools for our future, larger workforce. At the same time, we recommend consideration be given to increasing the corporate surtax exemption to $100,000 with a 20% normal tax on this amount.

3. Too much emphasis has been placed on public works. The large increases in public spending raises fears of the federal government stimulating a return to even higher inflation. Public works cannot quickly stimulate the economy and require too long to create jobs. Moreover, the potential for expanding construction and creating jobs is much greater in the private sector.

4. The proposal to create 600,000 public service jobs in FY 1977 and 725,000 such jobs by 1978 appears excessive. The Chamber's position is that any program of primary public service employment should limit eligibility to persons in greatest need; namely, heads of households who are unemployed 15 weeks or longer, who have exhausted their regular state unemployment compensation benefits, who have no employed spouse, and who reside in areas with an unemployment rate of 6.5 percent or more for three months. In addition, the jobs should fill unmet needs and avoid competing with jobs in the private sector. The ceiling of the wage or salary should be the "Lower Family Budget" established by the Bureau of Labor Statistics. Moreover, it is important to note that more than four out of five new jobs are in the private sector and, unlike public service jobs, are not dead-end or make-work in nature. The emphasis should be placed on market-oriented jobs. Therefore, the Chamber would support a testing approach for a wage subsidy program, including tax credits, but we would stress limiting any such program to the structurally unemployed. Public service jobs cost $8,200 on the average, or about 50% more than the minimum wage. Public works jobs, where prevailing wages are paid, cost twice that. Why not test a wage subsidy program to see how many permanent private sector jobs can be generated at a cost of $1,000 to $1,680 per new employee instead of doing it all in the public sector at a cost of $8,000 or more per job?

Specific Chamber Recommendations

Based on above comments, the Chamber recommends the following types of specific action on the stimulus package:

-- increase the size and include all taxpayers in a permanent tax cut for individuals,

-- provide incentive for investment by increasing investment tax credit to 12% and increasing corporate surtax exemption to $100,000,

-- provide incentives for hiring workers in the private sector, such as the Carter tax credit, House Ways and Means small business tax credit, and particularly tax credits for hiring the structurally unemployed on a test basis.

In summary, an economy stimulated primarily by tax-relief-induced increases in private expenditures rather than through government spending programs is the best approach to eventual balancing of the budget, higher employment and a lower share of the federal government in GNP.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT EXTENSION

Background of CETA

The Comprehensive Employment and Training Act (CETA) embodies our nation's public employment and training policy. The purpose of CETA is to increase opportunities for persons able, willing, and seeking to work to prepare for and find employment.

CETA was passed in December 1973, following twelve years of national categorical employment and training programs. Predecessor programs provided specialized services to identified target groups, such as the technologically and structurally unemployed, youth, minorities, and older workers. The proliferation of programs produced overlapping and poorly coordinated approaches. CETA was conceived as a means to decentralize the formulation and delivery of manpower services. It was designed to assure that employment and training programs would be responsive to local needs and conditions.

The basic provisions under which CETA has operated are:

-- Title I, which provides comprehensive manpower services through funds allocated to local prime sponsors on a formula basis;
-- Title II, which provides for a permanent program of transitional public service employment in areas of substantial unemployment;
-- Title III, which establishes a mechanism of nationally-funded programs to respond to the different segments of the population with particular need for manpower services;
-- Title IV, which continues the Job Corps;
-- Title V, which authorizes a National Commission for Manpower Policy;
-- Title VI, which establishes a temporary nationwide public service employment program;
-- Title VII, which sets forth general provisions necessary to carry out the Act.

CETA was designed to address the needs of the structurally unemployed. Unfortunately, its implementation coincided with a severe national recession which promptly forced use of the CETA structure for a program of public service jobs for the cyclically unemployed. This led to some substitution of public service jobs for regular jobs on state and local government payrolls. Therefore, CETA has never fully operated as it was designed to function. Rather, increasing amounts of the program's funding go to provide public jobs to the cyclically unemployed instead of the structurally unemployed.

Despite these setbacks, CETA has been a significant step forward in our nation's employment and training policy.

General Comments on CETA

Four out of five jobs are in the private sector, so it is critical that CETA reflect a truly comprehensive public/private sector partnership. This Subcommittee has an opportunity to define more clearly that partnership in its development of legislation to reauthorize CETA.

More specifically, CETA should be extended. The Chamber recommends that the Subcommittee consider a two-year extension to facilitate prime sponsor planning and to permit a continuing evaluation of CETA as the economy improves. This will allow the program to concentrate on the structurally unemployed with due regard for the phasing out of public service jobs as the economy improves.

Second, the Chamber supports greater decentralization. Proposed amendments to increase categorical programs under Title III authority and recent action to waive the 20% limitation on Title III spending conflict with CETA's purpose for manpower programs to be responsive to local conditions. CETA oversight hearings held by this Subcommittee last year documented the strength of comprehensive planning at the local level.

Third, we urge this Subcommittee to consider a comprehensive youth employment program under CETA. Persistently high youth unemployment reflects the increasing problem of young people in making the transition from school to work. Too often the high school graduate flounders for several years in career exploration, instead of partially completing this process while still in school. The dropout, frequently lacking the most rudimentary skills, confronts still more serious problems in

obtaining stable employment. And both the graduate and dropout may have poor work habits and attitudes. A comprehensive program to address these problems should:

-- include work/study concepts, remedial education, and other institutional training for out-of-school youth;

-- increase private sector involvement in the planning and training aspects of youth legislation;

-- examine the extent to which minimum wage and other labor laws impair youth employment.

Fourth, we strongly support increased private sector participation in CETA. Our economic system places primary reliance on the private sector for job creation. In order to place CETA program participants in unsubsidized self-sustaining employment, it is necessary to tie the training programs specifically to anticipated job openings. Ways must be found to involve business leaders at the local level in planning and implementation of CETA programs. At the same time, local chambers of commerce should be eligible to receive public service employment funds for those positions which serve the community-at-large. Many positions in local organizations do serve the public-at-large even though they function within the chamber organization. Examples of these would be community development specialists and urban renewal specialists. The broad community impact of positions such as these should certainly qualify them for public service employment funds.

Specific Recommendations

CETA should be extended, preferably for two years, and with:

-- continual emphasis on decentralization;

-- consideration being given to a comprehensive youth employment program, and

-- increased private sector participation in all aspects of CETA, from the planning stages up through the delivery of services.

FULL EMPLOYMENT AND BALANCED GROWTH ACT (H.R. 50)

The President's View of H.R. 50

The following question and answer is from the edited transcript of the dial-a-President radio program of March 5, 1977:

> Q: Do you consider it possible for government to create jobs as it did in the Depression or as envisioned in the Humphrey-Hawkins bill? (Cheryl Clark, Paris, Ky.)

President Carter: The first major proposal I made to the Congress was to start the process of putting the American people back to work. We've asked for a so-called stimulation package to our economy over the next two years of about $31 billion, a major portion of which is either reducing people's taxes or providing direct jobs. In addition, we have approved a substantial amount of money for public works projects: to build libraries, schools and other facilities. The Humphrey-Hawkins bill is pretty much a philosophical term of expression of our government's commitment to full employment. I do feel that most of the job opportunities ought to be generated permanently in the private sector of our free enterprise system and not in government itself.

H.R. 50 and National Economic Planning (NEP)

Since the Administration and the Congress are resolved to use the stimulus program to help improve current economic conditions and increase job opportunities, we no longer consider H.R. 50 a viable legislative initiative. Indeed, the only substance remaining in the bill is the proposal to institute national economic planning as a policymaking mechanism for the Federal Government.

National economic planning proposals raise fundamental questions about the separation of powers in government, the degree of autonomy in state governments, and how best to recognize the rights of political minorities. And, they raise important technical questions about the best ways to determine allocation of resources.

Recently, the Chamber's Board of Directors approved the final report of the Task Force on National Economic Planning. This task force, composed of leading authorities on corporate planning and economic policy, thoroughly studied the question and produced a comprehensive statement which will be published shortly by the National Chamber. The "Findings and Recommendations" section of the report is appended (see Attachment A).

To address the planning question we will first comment on the general concept of NEP and then turn to the concrete proposals in H.R. 50. We will limit our comments to the aspect of the NEP that concerns us most, the central government influence on resource allocation in the private sector.

On National Economic Planning in General

To speak to the subject of NEP, one first has to define it. NEP is different things to different people. We have found the following classification of NEP

characteristics useful in focusing attention on the attributes which most concern the business community in the context of the present debate about planning.

All NEP demonstrates one or more of the following characteristics: (1) Foresight, the attempt to improve current decisions by looking ahead, (2) Efficient management of government, (3) Market-improvement policies such as macroeconomic policies to improve the market climate, and (4) Market replacement government policies. The latter can involve market replacement in special cases or overall planning as an attempt to replace the market extensively or entirely.

The substitution of public resource allocation choices for private resource allocation choices in the context of a comprehensive NEP framework was of most concern to our task force members in their deliberations. We have many misgivings about NEP, but our central concern is with the impact that NEP would have on the effectiveness of our decentralized market system. In our market system, most resource use decisions are based on consumer wants as expressed to suppliers through the price mechanism. It is the central purpose of the market system to provide consumers with what they indicate they want from suppliers. This market system works best when prices are free to respond to the independent and unfettered choices of consumers and suppliers. Insofar as NEP would extend and intensify government regulation, it would create impediments to this process and damage the market climate. Would it extend and intensify government regulation? We believe that it would. In a 1976 Joint Economic Committee study on NEP, A. W. R. Hawthorne said that economic planning (an activity of the State) requires the identification and selection of goals, a political process. It requires the use of measures of State intervention to achieve them, and a system of coordination and control to ensure that the various measures are employed in a coherent and effective way.

Those are some of the broader characteristics of NEP, as a method of making national economic policy, which most concern us. We believe that the market system should be the primary means to meet the nation's material needs. A system of national policymaking which, in the context of a national plan, would purposefully alter the market-determined allocation of resources would be less efficient than the market process; therefore it would be harmful to the material well-being of workers, investors and consumers.

On National Economic Planning in H.R. 50

Apart from the specific economic policy proposals in H.R. 50, we have serious misgivings about the particular NEP framework to which they relate.

NEP's implementation would not achieve the goals specified in the bill, but would impair the business climate in which private investment and product decisions are made. The proposed shift in emphasis from demand management economic policies to coordinated supply management policies would inevitably get the federal government extensively involved in the allocation of private capital, land, and, indirectly, labor.

Since World War II national economic growth and stabilization policy has mainly been directed to the management of aggregate demand for goods and services. There has been no sustained or institutionalized use of national economic policy for systematic and coordinated management of the supply of goods and resources in the context of an overall national plan. To do that would markedly reduce the effectiveness of the price mechanism in allocating resources.

Under the provisions of H.R. 50, government policy could be used to influence the allocation of private resources in pursuit of the plan's objectives and goals. For example, H.R. 50 would augment aggregate demand management (economic stabilization and growth) policies with disaggregated supply management policies. This would shift economic policy concern from the level of economic activity to the structures of the economy. It would divert attention of investors and producers from forecasting market forces to forecasting government policies. The bill would make it more difficult for business firms to plan.

Government already extensively plans and regulates in the agriculture, transportation, and health care sectors of the economy. The priorities reflected in the composition of the federal budget already stand as potential instruments for implementing a coordinated national economic plan. H.R. 50 would attempt to coordinate these regulatory, planning, and budgeting efforts in pursuit of the priorities stated in its Section 104.

Within the framework of a national plan, H.R. 50 would redirect resources from one region to another, from one part of an urban area to another and between urban and rural areas in accordance with the specified goals in the bill. Federal fiscal policy at full employment and full production would give priority increases over government expenditure reductions, thereby shifting resources from the private to the public sector. According to Section 106, monetary policy would be utilized to pursue the priorities and goals of the plan. The bill calls for "such interest rates" and "credit allocation" as are conducive to the goals of Section 3 and 3A in the bill.

Industry would be more closely monitored so that supplies of goods and services in priority industries could be increased in accordance with the goals of the plan. A new institution for providing and allocating capital funds at less-than-market rates to fulfill some of the priorities of the plan would be established. In deciding who should get the limited capital funds, government would at the same time be deciding who should not get them. This kind of government intervention affects the overall allocation of capital funds both directly and indirectly. The growth in size, scope and numbers of federal programs to allocate capital funds increases the portion of total investment over which government exercises direct control or influence.

Because of the size of the federal government as a borrower in the capital fund markets, its borrowing activities indirectly affect the terms and availability of credit in private markets. The federal government takes first claim when it enters the credit markets. If, under certain economic conditions, its large needs for credit cause a general increase in interest rates or lessen the availability of funds, small businessmen or the highly leveraged private firm will be among the first rationed out. This also impedes the growth of employment through private investment. H.R. 50 would increase the federal government's participation in credit markets systematically.

The bill does contain the statement in Section 2 that no provisions of the Act are intended ... to provide for government control of ... allocations of resources. Nevertheless, the fact is that H.R. 50's MEP represents an inordinate and unworkable expansion of federal influence and control over resource allocation in the private sector.

Foresight Coordination and Efficiency in Government

We support efforts to increase foresight and coordination of policies and programs within government agencies and departments as they pursue their legislatively authorized missions. This kind of planning is consistent with or complementary to the market system.

Subjection of government programs to periodic cost-benefit or cost effectiveness analysis would lead to elimination of programs and policies no longer needed. More coordination within and among agencies and departments could increase efficiency, reduce duplication, and assure equity in enforcement. Zero base budgeting would enable government to cut back or eliminate unneeded activities. H.R. 50's comprehensive MEP framework is not necessary.

With respect to policymaking processes, the Budget Control Act of 1974 has resulted in a marked improvement in the procedure by which federal spending priorities are established. Greater foresight in policymaking can be implemented though this mechanism.

To Recognize Interdependence of Policies

Since national economic planning would be unworkable and harmful, other mechanisms are needed to recognize the relationships among national policy measures and to assess the secondary and tertiary effects of a given policy action. To improve foresight we recommend that legislative and regulatory proposals be accompanied by analyses of the anticipated effect of the major options on the private economy with respect to such things as: (1) individual rights, civil liberties and free choice, (2) inflation, (3) the climate for investment, (4) international competition, (5) prices and interest rates, (6) savings and the incentive to save, (7) productivity and the incentive to work. In this context we support measures such as Executive Order 11821, November 27, 1974.

Under the authority of the President, Executive Order 11821 required that "Major proposals for legislation, and for the promulgation of regulations or rules by any executive branch agency must be accompanied by a statement which certifies that the inflationary impact of the proposal has been evaluated." This more limited approach to appreciation of the indirect and future effects of legislative and regulatory action would be more in keeping with the limited state of knowlege about a complex economic system in which government and unpredictable changes in world economic conditions play so large a role.

Finally, the most effective government policies in pursuit of national objectives will be those which recognize economic incentives and work in harmony with market forces. Policies which cut across the grain of market forces can cause shortages or surpluses, underemployment or overemployment and slower or unsustainably rapid growth in a nation's levels of economic activity and living levels.

Attachment A

FINDINGS AND RECOMMENDATIONS

TASK FORCE ON NATIONAL ECONOMIC PLANNING

FINDINGS JANUARY 14, 1977

Finding No. 1

CHOOSING SOCIAL GOALS OVER ECONOMIC GOALS DOES NOT CANCEL OR NEUTRALIZE ECONOMIC FORCES IN A FREE POLITICAL SYSTEM.

Economic forces cannot be circumvented by legislative and administrative processes. Laws and rules to implement noneconomic social goals cannot adequately appreciate the role economic incentive plays in allocating resources. People as consumers, workers, producers and investors daily make innumerable economic choices in response to economic incentives and disincentives. The market system weighs each choice against all other choices. Similarly, choosing one public expenditure implies rejection or modification of other alternatives. Yet only the price mechanism can actually measure the economic value of one alternative in terms of another. National economic planning would extend the domain of public choice. Insofar as national economic planning distorts economic forces in pursuit of noneconomic goals, it can cause shortages, surpluses, underemployment and slower growth in a nation's standard of living.

Finding No. 2

A NATIONAL PLANNING PROCESS WOULD INEVITABLY BE A POLITICAL PROCESS.

Since some allocative choices and long term national commitments involve fundamental beliefs and are inherently political, it would not be possible to resolve them by dispassionate analysis and cooperative search for political consensus. Even where agreement is found on broadly stated goals, there will be

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sharp disagreement on the means to achieve those goals and on the priorities among competitive goals.

Finding No. 3

THE PREMISE THAT COMPREHENSIVE NEP IS NECESSARY BECAUSE OF WIDESPREAD AND SYSTEMATIC FAILURE OF THE MARKET SYSTEM IS NOT SUPPORTABLE. MARKET FAILURES HAVE BEEN EPISODIC, LIMITED IN SCOPE AND DURATION, OFTEN CAUSED BY AFFIRMATIVE INTERVENTION OF THE FEDERAL GOVERNMENT AND THE MARKET EFFECTS OF A GROWING NONMARKET GOVERNMENT SECTOR. MANY SO-CALLED "MARKET FAILURES" ARE FAILURES OF GOVERNMENT WHEN IT HAS INTERVENED IN MARKETS.

Finding No. 4

DECENTRALIZATION OF THE FORECASTING PROCESS DECREASES THE LIKELIHOOD OF CATASTROPHIC ERRORS.

Forecasting the future accurately often is not possible. However, forecasting is essential to rational decision-making. The real issue is how forecasts can best be made. Forecasting and decisionmaking should not be centralized. Otherwise, mistakes would have a much larger effect on the system as a whole. Competition among forecasts, like competition among business firms, is healthy and essential to efficient operation of a private enterprise system. On this basis it is preferable to let private firms make their own plans and resource allocation decisions so as to stabilize the larger economy.

Also the cost of forecasting errors is a function of how quickly they are discovered and there is reason to believe they are more quickly discovered in private sector forecasts.

Finding No. 5

CONSULTATION BETWEEN CORPORATE AND GOVERNMENT MANAGERS ON IMPROVEMENT OF MANAGEMENT PROCESSES CAN BE MUTUALLY BENEFICIAL; BUT MANAGEMENT OF GOVERNMENT AGENCIES AND DEPARTMENTS SHOULD NOT BE CONFUSED WITH NATIONAL ECONOMIC PLANNING.

In an important sense corporate planning is corporate management. Government cannot similarly manage the entire economy. The essential difference between national economic planning and corporate planning is that government plans for others while the corporation plans for itself using its own assets. However, much may be gained from introducing corporate management methods into government agencies and departments to increase efficiency. Consultation between government and corporate managers could be fruitful in this regard. Greater use of foresight and scheduling within the limited domain of an agency or department mission could increase economic stability and improve the business climate.

Government must forecast to provide information for the budgeting process, to assess future impacts of present decisions, to improve present decisions in light of probable future events and recognize quickly how unfolding events affect the assumptions underlying existing policies. Yet private choices committing resources for future uses cannot be based upon a federal government "highest probability" forecast for the entire economy--if the advantages of economic diversification are to be gained. Moreover, central government forecasts will themselves affect economic expectations, future government policies and private economic decisions in ways which could make the forecast self-fulfilling or result in undesirable economic behavior.

When either changes in the level or the composition of Federal government spending are unpredictable and volatile, the market system is subject to shocks that discourage economic activity. These shocks are large because the government is large. Whatever value

private forecasts of future economic activity have it attenuated by the unpredictability of government policy. Uncertainty about the future is increased. This retards investment spending and economic growth.

Unpredictable changes in government monetary policy, government fiscal policy and the compositon of government spending all have significant unsettling effects on the market economy. The massive influence of the Federal government on economic activity is further enlarged through its regulatory agencies. If their rulings and programs have extensive tertiary effects in the marketplace and are at the same time unpredictable, then the disruptive potential of the Government on the private economy is compounded.

The Federal Government is by far the largest single influence on the credit markets. The Federal government and its off-budget agencies borrowed more than 40 percent of the total funds available in calendar 1975. And, Federal, State and local governments together purchase more than a fifth of the nation's output of goods and services each year. Federal spending, grant stipulations and regulary requirements have augmented the rate of growth in spending at the state and local level.

Planning of the federal government's own activities could improve the market system if it reduced the volatility of government's impact on the economy and improved the predictability of future government actions. However, any controls associated with such planning efforts should be internally oriented just as controls necessary to the corporate planning effort are internally oriented. Efforts to induce individuals and firms in the private sector to make their activites consistent with comprehensive federal plans should be avoided.

Finding No. 6

THEORETICAL DEVELOPMENTS IN ECONOMICS AND EXPERIENCE WITH GOVERNMENT REGULATION HAVE FURTHER WEAKENED THE CASE FOR NATIONAL ECONOMIC PLANNING SINCE THE LAST MAJOR LEGISLATIVE DEBATE ON THE ISSUE (AFTER WHICH IT WAS REJECTED).

The theory of resource allocation and the theory of public choice provide intellectual support for reduction of the role of government in the resource allocation process.

National economic planning would likely reduce flexibility of response to unpredictable shocks to economic system.

Finding No. 7

COMPREHENSIVE NATIONAL ECONOMIC PLANNING HAS NOT WORKED WELL IN OTHER MARKET ORIENTED NATIONS.

National Economic Planning in other Western World nations and Japan has not led to economic stability. It has not protected them from volatile changes in their foreign sectors. The numerical targets in their national plans have not been attainable.

Finding No. 8

CORPORATE PLANNING CONTRASTS SHARPLY WITH OVERALL NATIONAL ECONOMIC PLANNING.—

Corporate goals are relatively straightforward. They are not abstract and they can readily be translated into operational objectives and pursued in an orderly, understandable and systematic way. There is basic agreement on the goals and on the means for achieving them. Controls necessary to implement the plan are directed internally; controls to implement comprehensive government plans are often directed externally. Economic incentives provide high motivation in the corporation to closely and continuously monitor forecasts with particular attention to changes that

affect forecast assumptions and decisions based upon the forecast.

Finding No. 9

AN INDEPENDENT FEDERAL RESERVE SYSTEM IS ESSENTIAL FOR ECONOMIC STABILITY, AND CAN EXERCISE FORESIGHT IN PURSUIT OF MONETARY POLICY WHICH WILL HELP STABILIZE THE IMPACT OF GOVERNMENT ON THE PRIVATE ECONOMY AND CREATE A GOOD CLIMATE FOR BUSINESS INVESTMENT.

Finding No. 10

NATIONWIDE DECENTRALIZED PLANNING IS ALREADY WELL ESTABLISHED. FORESIGHT AND PREPARATION FOR THE FUTURE IS ESSENTIAL TO THE ATTAINMENT OF INDIVIDUAL GOALS.

Firms and individuals exercise foresight, and prepare for future contingencies in the conduct of their own affairs. They envision goals, target feasible objectives and attempt to conduct their current affairs with due attention to their longer term priorities.

Overall national economic planning, on the other hand, calls for centralization or overview of this decentralized planning. It calls for integration of policymaking and central approval of the anticipated future effects of private resource allocation choices.

Finding No. 11

THE IMPERATIVE OF CHANGING ECONOMIC CONDITIONS MAKES ADHERENCE TO INTERMEDIATE OR LONG-TERM NUMERICAL NATIONAL ECONOMIC OBJECTIVES UNLIKELY.

Economic policy is continuously reformulated on the basis of changing conditions and new information. For example, the experience of other nations has demonstrated the unpredictability of changing conditions in the foreign sector. Other major OECD nations have been preoccupied with the domestic impact of the dynamic world economy.

RECOMMENDATIONS

A. RECOMMENDATIONS FOR GREATER FORESIGHT AND EFFICIENCY IN GOVERNMENT

1. GREATER FORESIGHT AND COORDINATION OF ACTIVITIES (AND RULINGS AFFECTING PRIVATE ECONOMIC ACTIVITIES) WITHIN GOVERNMENT AGENCIES AND DEPARTMENTS AS THEY PURSUE THEIR MISSIONS SHOULD BE ENCOURAGED IN THE INTERESTS OF EFFICIENCY AND ECONOMIC STABILITY.

   This is a legitimate and continuing concern identified by some as national economic planning. It isn't what the members of the Task Force are concerned about. Our central concern is with replacement of market decisions by public decisions over resource use where there is no evidence of market failure.

   There are many conflicting government programs in existence and a process of better forecasting and coordination could be used to remove those which are no longer necessary.

   Any existing or future government program should be subject to periodic cost-benefit or cost-effectiveness analysis.

2. TO IMPROVE FORESIGHT, LEGISLATIVE AND REGULATORY PROPOSALS SHOULD BE ACCOMPANIED BY BRIEF ANALYSES OF THE ANTICIPATED EFFECT OF THE MAJOR OPTIONS ON THE PRIVATE ECONOMY WITH RESPECT TO SUCH THINGS AS:

   -- INDIVIDUAL RIGHTS, CIVIL LIBERTIES AND FREE CHOICE

   -- INFLATION

   -- THE CLIMATE FOR INVESTMENT

   -- INTERNATIONAL COMPETITION

-- PRICES AND INTEREST RATES

-- SAVINGS AND THE INCENTIVE TO SAVE

-- PRODUCTIVITY AND THE INCENTIVE TO WORK

Anticipation of future threats and opportunities is desirable. There should be wider promulgation of existing economic forecasts and long-term contingency forecasts. But a new government agency or office to anticipate the future so as to improve current policy formation is not necessary. Such forecasts can and should be made by existing agencies and offices of the federal government with respect to their own actions and decisions.

In addition, the staffs of existing government agencies and offices may call upon the work of organizations in the academic and private research communities in this regard. Their work can be solicited by Congress in the ordinary hearings process.

Mechanisms for increasing congressional foresight, anticipating future problems and enhancing the discipline of the federal budgeting process are already in place and should be given a chance to work before more comprehensive overview measures are seriously considered. The new budgetary process under the Congressional Budget and Impoundment Control Act of 1974 involves long-term projections and provides for Congressional debate on national priorities. Coordination among the Office of Management and Budget, the Council of Economic Advisers, the Congressional Budget Office and the Budget Committees of the House and Senate is mandated. The

Congressional Office of Technology Assessment is another foresight mechanism which can conceivably alert the Congress to contingencies and future impacts of present policies and activities.

3. THE ORDERLY BUDGETING PROCEDURES INITIATED IN THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974 ARE ESSENTIAL FOR ECONOMIC STABILITY. THE LONG TERM PROJECTIONS OF FEDERAL SPENDING RESULTING FROM THAT LEGISLATION ARE A USEFUL FORESIGHT MECHANISM. IT SHOULD BE IMPROVED.

4. CONSULTATION AMONG BUSINESS, ACADEMIC AND GOVERNMENT FORECASTERS SHOULD BE ENCOURAGED SO AS TO REDUCE THE DESTABILIZING EFFECT OF GOVERNMENT DECISIONS AND PROMOTE IMPROVEMENTS IN THE INVESTMENT CLIMATE.

Government is best suited to collect, assimilate and publish data for economic forecasts. Better data is needed. But government has no inherent advantage in the forecasting process itself. In fact, the federal government relies in great part upon private forecasts to determine its economic policy. It would be a mistake to premise major new legislation and future legislative priorities on a single government forecast.

Comparison of the contingency forecasts of the business and public sectors could benefit everyone. But such consultation should not be highly structured or formalized. All would benefit from maintaining a continuing competition of ideas.

B. RECOMMENDATIONS FOR GOVERNMENT POLICIES WHICH ARE APPRECIATIVE OF MARKET FORCES

1. SINCE INCREASING THE RANGE OF CHOICES FOR CONSUMERS INCREASES THEIR WELL BEING, GOVERNMENT SHOULD AVOID LIMITING CONSUMER CHOICE.

In general the federal government should play

a limited role in the economy, leaving allocative and economic goal setting decisions to individuals and firms within the price system. This system provides the best response to the expressed wishes of consumers which are diverse and dynamic. Government does not respond well to diverse and changing preferences.

2. ONLY WHEN THERE IS A CLEAR AND DEMONSTRABLE NEED SHOULD MARKET FORCES BE INTERRUPTED BY GOVERNMENT POLICIES. IN DETERMINING SUCH A NEED SOME IMPORTANT CONSIDERATIONS ARE: ECONOMIC GROWTH, ECONOMIC STABILITY, ECONOMIC EFFICIENCY AND ECONOMIC FREEDOM.

Replacement of the market mechanism on a large scale or in particular areas where the market is not defective should be avoided. Government policies in pursuit of any legislative or regulatory objective should be conducted in ways that minimize their destabilizing effect on the private economy.

The need for some government intervention in the economic system is recognized. For example, there is a need for limited government intervention to protect the environment. But this need not entail a comprehensive national economic plan. Interconnectedness of ecological systems and economic systems is recognized, but science has not yet explained or systematized this interrelatedness. The state of the art being primitive, government efforts to set policy to protect the environment should be cautious and limited. It would be at least premature in a technological context, inefficient in an economic context and wrong in a moral context to impose comprehensive NEP on the nation to achieve environmental goals.

Large central government, unimpeded by rigorous budgetary restraints and competition, takes first claim on a large proportion of the nation's labor and capital resources. Private firms must be able to effectively forecast the magnitude of this demand for resources in order to initiate and schedule their own future activities efficiently. Economic stabilization and growth policy could be much improved if the market impact of the federal sector could be understood and anticipated. Government's pursuit of noneconomic national goals increases the difficulty of forecasting the government's impact on the economy.

3. AGGREGATE DEMAND MANAGEMENT POLICY IS PREFERABLE TO SUPPLY MANAGEMENT POLICIES AS A COUNTERCYCLICAL DEVICE AS IT DOES NOT SUGGEST INTERVENTION IN INDIVIDUAL ECONOMIC DECISIONS. USE OF AGGREGATE DEMAND MANAGEMENT TO FINE TUNE THE ECONOMY SHOULD BE AVOIDED.

4. ENABLING LEGISLATION FOR ALL FEDERAL PROGRAMS, REGULATORY AGENCIES AND DEPARTMENTS SHOULD BE PERIODICALLY REVIEWED TO DETERMINE HOW ACTIVITIES AND EXPENDITURES RESULTING FROM THAT LEGISLATION MIGHT BE SIMPLIFIED, CUT BACK OR ELIMINATED.

Government programs need to be continuously reviewed so as to facilitate the expiration of programs and policies which are no longer needed. So-called zero balance budgeting is one acceptable process for reappraising existing programs.

Some principles on which an agency review process might be based are as follows:

1. Reappraisal of the original enabling legislation or mandate to determine if the agency mission is

currently meaningful, if the mission needs to be better specified or redefined, and if current agency performance is consistent with the original mandate;

2. Increase coordination among agencies and departments to increase efficiency, and equity in enforcement and reduce costs;

3. Require cost effectiveness analysis to insure that regulations are in the public interest;

4. Avoid uniformity of application where inequitable and inefficient as a result of differences among geographical sectors and firms;

5. Assure private sector involvement in the formation of regulations;

6. Increase accountability for performance.

5. NO NEW GOVERNMENTAL NATIONAL GOAL SETTING PROCESS IS NECESSARY. TO THE EXTENT THAT NATIONAL GOALS ARE IDENTIFIABLE AND NEED IMPLEMENTATION THIS SHOULD BE DONE IN THE CONGRESS IN THE CONTINUING DEMOCRATIC PROCESS OF VOTING NECESSARY LEGISLATION.

The nation is best served by an economic and political environment in which people are free to select their own goals and objectives. But, to the extent that there are overriding social goals, society has a right to set down rules and regulations related to their attainment. Even where agreement on broad social goals is extensive there is still important disagreement on the means

whereby the goals might be achieved. And taking government action to favor one desirable national goal over another in most cases involves costs and trade offs which must be explicitly recognized. Priorities among nonmarket goals should be determined politically. While the President may propose priorities, final disposition should come from the U.S. Congress.

Debate on the nation's purposes and goals can be supportive of our political system. However, a new government office or agency is not necessary to facilitate this discussion. The existing legislative process is the most acceptable way to reconcile the differences among the national goals advocated by groups and individuals with diverse preferences and diverse world views.

A successful effort to assign priorities to goals would require a national consensus on means and goals which does not exist. This is a large nation of great regional and individual diversity of opinion. There is no effective way to bring allegedly homogeneous groups together under the aegis of government for consultation and reconciliation of differences as is attempted in smaller nations. Even the traditional consensus on the desirability of rapid economic growth has eroded. Our perceived national priorities change swiftly with changing conditions. Instead of an economic system tied to rigid end purposes we need an economic system that swiftly adapts to unpredictably changing conditions and preferences.

Finally, it has been proposed that a national economic planning process would translate national priorities

into numerically stated objectives. Numerical targets for such objectives as unemployment and inflation levels and housing units per year probably do not improve the policymaking process. They are not as concrete and meaningful as they appear. When the nation fails to reach them, broader controls will be advocated by some so as to enforce behavior consistent with the targets. This would place further burdens and impediments on the economic system.

TASK FORCE ON NATIONAL ECONOMIC PLANNING

1976-1977

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Mr. HAWKINS. At this time, may I introduce this morning's witness for the administration, Mr. Ernest Green, Assistant Secretary of Labor for Employment and Training.

It is a privilege for the Chair to have Mr. Green appear before the committee because we have had a long association with him in various activities relating to the problem before the committee. It is certainly a great personal privilege to have the Assistant Secretary testify before the committee today. Mr. Green, would you please identify your associates who have accompanied you this morning.

STATEMENT OF ERNEST G. GREEN, ASSISTANT SECRETARY OF LABOR FOR EMPLOYMENT AND TRAINING, ACCOMPANIED BY WILLIAM B. HEWITT, ADMINISTRATOR FOR POLICY EVALUATION AND RESEARCH, AND PIERCE QUINLAN, ADMINISTRATOR FOR COMPREHENSIVE EMPLOYMENT DEVELOPMENT, EMPLOYMENT AND TRAINING ADMINISTRATION, DEPARTMENT OF LABOR

Mr. GREEN. Thank you very much, Mr. Chairman. On my left is Bill Hewitt, Administrator for Policy, Evaluation and Research, and on my right is Pierce Quinlan, Administrator for Comprehensive Employment Development, Employment and Training Administration.

Mr. Chairman, and members of the subcommittee: I am pleased to have this opportunity to appear before you today to present the Department of Labor's views on the extension of the Comprehensive Employment and Training Act—CETA. This is my first opportunity to appear before the subcommittee as Assistant Secretary of Labor, and I look forward to a fruitful and productive working relationship with the chairman and the subcommittee members and staff.

About 3 weeks ago, Secretary Marshall appeared before your subcommittee to testify on both short-term and long-term measures needed to respond to the problems of high unemployment. In his testimony, the Secretary said that the administration would shortly submit its proposal to the Congress for a 1-year extension of CETA, including several amendments needed to facilitate the President's economic recovery package. The administration's proposal was forwarded to the Congress on March 8, 1977.

In my testimony today, I would like to discuss the administration proposal, including the rationale for our proposed amendments to CETA, and address some longer term considerations regarding the extension and modification of CETA.

Secretary Marshall has explained our reasoning behind recommending a 1-year extension of CETA, with a minimum of amendments. The appropriations authority for CETA expires on September 30, 1977. Under the Congressional Budget Act, new authorizing legislation for fiscal year 1978 must be reported by the committee not later than May 15, 1977, less than 2 months from now. We have not as yet had time to assess the need for both substantive and technical amendments. A 1-year extension will provide us with additional time to review the many recommendations to amend CETA that have been made, as well as to consult with the Congress and interested citizen

groups and develop proposals. As the Secretary stated, we will submit to the Congress by May 15 a bill proposing CETA legislation for fiscal year 1979.

Chairman Hawkins has introduced H.R. 2992, to authorize appropriations for CETA for 1-year—fiscal year 1978. We basically agree with this approach. Our proposed legislation would extend the authorization of appropriations for all CETA titles through fiscal year 1978. In addition, however, our proposal contains two amendments which we consider necessary for carrying out the Department of Labor portions of the President's economic recovery package.

First, our bill as submitted proposes to repeal the 20-percent limitation on the use of appropriated funds which presently applies to titles III and IV of CETA. As you are aware, the President's recovery proposals include, in the area of employment and training, expansion of existing programs such as public service employment, and a number of new initiatives, such as those proposed for unemployed youth. These proposals, as outlined to the subcommittee by Secretary Marshall, include:

—An increase in the number of public service jobs under CETA from 310,000 now to 600,000 for the end of fiscal year 1977 and to 725,000 for fiscal year 1978.

—An expansion of the Job Corps program and new initiatives for youth.

—Special measures directed toward the unemployed Vietnam era veteran, involving both the private sector and public employment and training. Included are a new HIRE program that will enlist the aid of the private sector in putting the unemployed Vietnam era veteran to work, preference for younger Vietnam era veterans in public service jobs under CETA, which I will discuss later, and establishment of outreach units in larger cities, staffed by and serving disabled veterans.

—A skill training improvement program and a doubling of outlays for apprenticeship programs under title III of CETA.

—New initiatives to serve migrant and seasonal farmworkers.

To facilitate appropriations for these initiatives, we are proposing the repeal of section 4(e).

Second, we are proposing an amendment to establish a preference for younger Vietnam era veterans in all public service employment under titles II and VI of CETA. As you know, unemployment rates among such Vietnam era veterans, particularly younger, minority, and disabled veterans, have been consistently higher than the unemployment rates for similarly aged male nonveterans. For such Vietnam-era veterans between the ages of 20 and 24, the unemployment rate is 15.8 percent, compared to 11.6 percent for nonveterans of the same age, with disabled and black veterans being hit even harder. Because their unemployment problems are so severe the President has called for special efforts to provide increased training and employment opportunities for Vietnam era veterans.

We have expressed the desire for a national goal for the Department of Labor of 35 percent for veteran participation in the newly created public service employment jobs under CETA. Although we have not imposed any goals on individual prime sponsors, we are encouraging prime sponsors to develop to the maximum extent feasible, ways of

assuring the participation of veterans in the newly created public service employment positions.

In addition, to help achieve our goal, we are proposing in section 3 of our bill, to provide a preference in public service employment programs funded under titles II and VI of CETA, first for disabled Vietnam era veterans, and then for other unemployed veterans, who are under 27 years of age and served in the Armed Forces during the Vietnam era.

Under the present law, veterans are required to be given special consideration for public service jobs. Under our regulations, these jobs must be listed with the Employment Service and held open for 48 hours before they can be filled by a nonveteran. However, there is presently no requirement that any veteran so referred be hired. Under our proposal, this limited group of veterans would be given preference in hiring, that is, they would be afforded the opportunity of first refusal of a public service job.

We are confident that through the cooperation of the Veterans' Administration and through the establishment of veterans' outreach units in the 100 largest cities, staffed by 2,200 disabled Vietnam era veterans, we will be able to bring young Vietnam era veterans into these jobs.

I wish to emphasize that under the title VI— public service employment program, new persons hired for projects and activities will be required to meet the long-term unemployed and low-income criteria established by the title VI amendments of the last year. Among the pool of applicants meeting these criteria, veterans will then be accorded preference in hiring.

As I indicated earlier, we have not yet had time to assess the need for further amendments to CETA. Over the coming months it is our intention, as Secretary Marshall stated to this subcommittee, to make such an assessment, together with you, Mr. Chairman, and members of the subcommittee, and with other interested Members of Congress and the public.

As indicated in the transmittal of the CETA extension bill, it is the President's intention that future levels of funding of the title VI countercyclical public service employment program be related to the pace of the recovery. While we anticipate some continuation of the countercyclical public service employment program in fiscal year 1979, any future legislation that carries this program beyond fiscal year 1978 must contain mechanisms that adjust the level of funding to the level of unemployment as the economy recovers. We have not reached a conclusion as to the preferred method and will be working with the Congress in developing one by May 15.

Mr. Chairman, I have tried to describe the policy goals of the administration in two spheres—veterans' employment, and extension of the CETA authorization. We submitted specific proposals to achieve those goals. However, it is the goals—the end objectives—in which we were interested. We would be more than happy to discuss other specific ways to attain those goals, which are addressed to problems which I am sure are of major interest to this committee.

This concludes my prepared remarks, Mr. Chairman. At this time I would be pleased to respond to any questions that you or members of the subcommittee might have.

Mr. HAWKINS. Thank you, Mr. Green.

First, with respect to the funding of the number of jobs which you anticipate asking the Congress to approve under the authorization of the proposal, I assume that you are fully aware of the fact that the recommendation made by this subcommittee and by the Education and Labor Committee which has been approved by the House, indicates a difference in the funding between the House and the administration. As I understand, you are asking for principally 600,000 slots by the end of this fiscal year and by September of 1978 that figure would be increased to roughly 725,000. Is that correct?

Mr. GREEN. That is correct. We expect to have that increase completed by the end of the calendar year 1977.

Mr. HAWKINS. The number anticipated will actually be filled during this calendar year?

Mr. GREEN. Yes, sir.

Mr. HAWKINS. Do you anticipate, then, any recommendation for additional funding in 1978 fiscal year?

Mr. GREEN. We have asked that that 725,000 be carried through fiscal year 1978 at that level.

Mr. HAWKINS. On the basis of the demonstrated need for increased slots, which has already been documented in hearings before this subcommittee by the various governmental entities, which would be the ones that you would be doing business with anyway, there is every indication that they feel they can handle an excess of one billion slots, most of which would be done within the next 90 days. Are you of the opinion that this need does not currently exist or that you cannot effectively fill this number of slots between now and the end of this calendar year?

Mr. GREEN. Mr. Chairman, when the Secretary testified before the subcommittee, he stated that this was a figure that he believed was obtainable for us to achieve, a level to obtain while maintaining the quality of those jobs, and seeing that the participants in those public service employment jobs were receiving meaningful training.

His view was that this was an attainable goal and it was well within our capability. I do not think he expressed the view that it was the optimum goal that could be achieved but at the time he felt it was the attainable goal within our reach.

Mr. HAWKINS. I assume that this is a matter which further indicates that the need is greater than what has been anticipated and would allow the administration to reevaluate this issue as we proceed through the legislative process.

Have you firmed up the specific number of slots that you think can be adequately filled, or is your proposal based on some data that we do not have before the subcommittee? All the information we have been given indicates there is a greater need. For example, the League of Cities has conducted a survey of 50 cities and has concluded from the results of that survey that under title II and title VI alone, 179,290 additional jobs could be filed under title II and 202,201 under title VI. This can be done in less than 1 month if they are given assurance that the funding would be available.

This seems to be in sharp conflict with what you have decided can be done. I realize there would never be any finality to a matter of this nature until it is tried. But it seems to me that this is at least some indication that the number of slots that you are anticipating is far too

low and before the end of the year, you may be back asking Congress to add to what you have requested.

Mr. GREEN. Mr. Chairman, the decision was made by the Secretary. We feel it is an adequate goal. We will be increasing at a level of 67,000 jobs a month, in April, May, and June, in filling the titles II and VI slots.

In looking over our activity, Mr. Marshall felt this was an adequate number and that this was a level to which we would target.

Mr. HAWKINS. I also have several questions with respect to the veterans' preference. Let us turn to page 6, the last full paragraph on the page where you indicate that the title VI public service employment program would operate so that new persons hired would be required to meet the long-term unemployed and low-income criteria established by title VI amendments of last year. Let us try to get some clarification of that type of a preference. Does that mean in the broad criteria under title VI that, so long as a veteran meets that criteria, that veteran would have to be given preference whether or not that veteran had greater or less need for the job than, let us say, a nonveteran?

Mr. GREEN. If the veteran met the criteria of eligiblity, as we have indicated, then that veteran would go to the front of the queue to have the opportunity of first refusal.

Mr. HAWKINS. Let me use another example. Let us say there are two veterans and both of them have been unemployed approximately the same length of time. However, one has a greater income than the other although both have low incomes. The one veteran has no one in the family who is providing any income. The other veteran, let us say, has someone in the family who has an income but he is 28 years old rather than the age stipulated under the bill. Now, which one would be given preference under those circumstances?

Mr. GREEN. We have the income criteria. We have the term of unemployment criteria. The age limitation is under 27. It is our attempt to concentrate efforts on those younger veterans having more severe unemployment problems.

In your examples, the prime sponsor would have to choice between two veterans meeting the minimum requirement.

Mr. HAWKINS. Let us say we have two different cases and one is a nonveteran who is 28 years of age. Let's assume that one has a lower income than the other but is not a veteran. Under that circumstance, would the veteran be given preference?

Mr. GREEN. If he meets minimum income requirements; yes, sir.

Mr. HAWKINS. So that within that broad criteria, it will not make any difference which one is in greater need, because the veteran would be given the preference.

Mr. GREEN. We view the eligibility targets as indicating a large-need population. We feel that if the applicants can meet the eligibility requirements, they clearly satisfy individuals in need criteria and would deserve service.

Mr. HAWKINS. What I am trying to establish is that there may be 1 million such persons applying for the job. Let's take a specific example. In Los Angeles, the last time they announced applications were being taken, there were at least 10 applicants for every job. We'll use the figure 10, however there were more than that actually. Let's say nine of those applicants would be rejected. Among those rejected, you

would have individuals who would have a much greater need than the veteran although all of them, let's say, meet the broad criteria. But within the classification, obviously, if you have 1 million such individuals and a limited number of veterans, you are going to have a large number of persons who are in great need who are not veterans. I am simply trying to see what you do for those who happen not to be veterans, who are in even greater need, who may be heads of families, and whose income may be lower.

Mr. GREEN. The administration views the veterans' preference provision as an attempt to meet a need. We believe this process is most desirable in addressing ourselves to those who served during the Vietnam era and who may have suffered severe injury. We think that the needs of heads of households at lower incomes can also be satisfied, given the limited population of veterans in this age group.

We feel that we can meet both of these needs.

Mr. HAWKINS. I am certainly not asking these questions indicating a bias against veterans. In fact, I quite agree with your position of wanting to help the veterans so that is not really the basic issue. Have you considered accomplishing this by a different method other than the one which is now being proposed? Have you given consideration to utilizing another title of the bill in which the veteran would be given not only employment opportunities but many other types of services and opportunities?

In other words, is there some other method that you would be willing to accept in which the veteran would be directly helped as a group without, at the same time, coming into competition with other claimants for assistance under the comprehensive employment and training concept?

Mr. GREEN. The administration felt this was the most prudent way to proceed, that we would be able to address ourselves to those veterans most in need by utilizing the prime sponsor system. This is the manner in which we are proceeding.

Mr. HAWKINS. One final question from the Chair at this time. Approximately how many veterans do you think will be assisted under the proposal that you have submitted to the Congress?

Mr. GREEN. We estimated there is a sum total of 240,000 veterans in this group. We have attempted to dissect that universe into those that meet the income eligibility requirements and/or term of unemployment, but we simply do not have that data. We estimate the figures would be somewhere around 20,000 nationally.

Mr. HAWKINS. At least 20,000?

Mr. GREEN. Yes, 20,000 to 25,000.

Mr. HAWKINS. That figure corresponds pretty closely with what we have come up with ourselves. In view of the fact you are talking about this number, it seems to me this must also be related to the funding issue because obviously, if the funding is increased as this committee has recommended, then there would be less friction of competition with other groups and you could do both. However, as we go down the scale in limiting the funding, it is pretty clear that the preference will work to the disadvantage of many needy groups. It seems to me you should consider this rather than, let us say, taking care of the veterans in an accepted program. If they had the additional funding, then it seems to me that the problem would begin to diminish.

By adding at least 20,000 to 25,000 slots for veterans to the total number that would be funded, then obviously, we would eliminate in a sense the arguments against the veterans.

Mr. GREEN. Those figures represent about 5 percent of the new public service employment jobs we are creating. If we did it separately, figuring that the public service employment jobs run roughly $8,000 per job, that would be an additional $200 million for this population.

Mr. Chairman, we certainly are willing to work with the subcommittee to explore alternatives. But our view was this was the most expeditious and best way to proceed in terms of targeting those public service employment slots to the veterans population, as indicated both by the President and by the Secretary. We find, as I indicated earlier, a high level of unemployment among veterans, particularly minority veterans and disabled veterans and it was our attempt to try to address our resources to that group.

Mr. HAWKINS. I am not going to ask another question. However, I want to indicate that we will be discussing with you as soon as possible the youth unemployment program as well. It would certainly be our hope that this can also be related to the veterans issue because so many of those individuals would fall under that age classification. That would also be another alternative to the present approach that you have in this bill. Those are all the questions I have. Thank you, Mr. Green.

Mr. SARASIN. Thank you.

To follow up on the chairman's question, Mr. Green, concerning veterans in the example he gave you, assuming you have a veteran who is entitled to the first refusal under this proposal and he refuses, how long must he wait until that opportunity is available to a nonveteran?

Mr. GREEN. We would be able to move right away in securing an applicant that met the other eligibility requirements.

Mr. SARASIN. Under the present regulation, it is 48 hours. The jobs must be held for 48 hours before it can be offered to someone else but you do not suggest in your statement that a simple provision would be followed.

Mr. GREEN. We are going to amend that now, so if a veteran met the requirements and refused the job offer, then we would be able to move to enroll another individual.

Mr. SARASIN. How do you maintain the quota, assuming you are going to maintain a quota around the country?

Mr. GREEN. At present, under our public service employment program about 25 percent of the total enrollment is veterans. We figure about 12.5 percent are Vietnam vets. We think with a little effort we would be able to increase that because, as I indicated, we are at the point where roughly one-fourth of our enrollees are veterans.

Mr. SARASIN. It is my understanding there is a great deal of double counting of veterans in the program, disabled veterans or separated people and the same person is counted three or four times. We have accurate statistics on that.

Mr. GREEN. We believe the 25 percent is an accurate figure.

Mr. SARASIN. One-half of that is Vietnam veterans.

Mr. GREEN. Roughly one-half.

Mr. SARASIN. Incidentally, I understand that was all worked out on the Senate side. Is my information correct?

Mr. GREEN. No.

Mr. SARASIN. Sometimes, it might be nice if the majority of this committee was consulted on occasion.

Mr. HAWKINS. If the gentleman would yield, our consultation is about equal, Mr. Sarasin.

I do not want you to get the impression that I have had any secret consultations. The Administration's proposal was transmitted to the subcommittee in a letter addressed to Vice President Mondale.

Mr. SARASIN. Thank you, Mr. Chairman.

Mr. HAWKINS. I yield back to the gentleman.

Mr. SARASIN. This subcommittee held a number of hearings last year in the field concerning the implementation of the program. We discussed these questions with prime sponsors who are trying to deal with the program and there was a feeling some of the regional agencies were not cooperating as much as they thought they should and the advice might not be forthcoming as much as it could. My impression was if any change were implemented in the program, that it not be backward and that it not become the categorical program of the past. Isn't that exactly what you are doing? You are putting us back to the categorical programs that have been soundly discredited and you would be taking us from the program and providing no flexibility or local initiative to solve local problems.

Mr. GREEN. Secretary Marshall has testified about this. We do not think we are invoking categorical programs. We think we are maintaining the intent and the integrity of the CETA system. We are in some cases pointing out areas of high need, as we have done in our targeting of enrollees, as we are attempting to do with something like the HIRE program to provide a greater involvement of the private sector in the training system. But we do not think, in any way, that we are demeaning or moving against the CETA system.

Mr. SARASIN. You eventually plan to follow the STIP program into title I.

Mr. GREEN. The STIP program, as it stands now, is a title III program. We hope prime sponsors will participate in it to increase on-the-job-training activity and to raise the level of on-the-job-training participation. We would, hopefully in the next year have increased the on-the-job-training to such a level that STIP may not be necessary.

Mr. SARASIN. You have asked for a 1-year extension of the program. Some of the prime sponsors have requested a 2-year extension so they can try and plan ahead. I think your statement said you are still trying to choose from among options for that second year. What kind of a promise is there, or are we talking to all of the public service employees who are supposed to go on the rolls?

Mr. GREEN. First, the process of attempting to get larger private sector involvement so they will have attachment to other jobs; second, we are, as you know, concerned about developing projects that lend themselves to public service employment participants and have greater job transferability.

Third, we certainly look forward to the authorization of funds as a means of indicating to the prime sponsor that the funds are going to be forthcoming over an extended period of time. We have had the

problem we have had in previous times of starts and stops, layoffs, and tooling up again. There has been a great deal of uncertainty.

Mr. SARASIN. How do you propose to transfer the public service employment program people into unsubsidized employment?

Mr. GREEN. The prime sponsors, in working with their other program entities, will hopefully be able to transfer a large proportion. We are fully aware that the stimulus activity the administration is proposing is certainly not all in this area but the administration feels that its general stimulus activity will allow us to have increased productivity and employment in the private sector. This will move concurrently. So, we are providing jobs on the private side to which we can transfer the public service employment enrollees.

Mr. SARASIN. Do you have any percentage of the project enrollees you will have?

Mr. GREEN. We do not have, no.

Mr. SARASIN. Do you know what the present percentage is?

Mr. GREEN. About 25 percent of those who terminate get jobs.

Mr. SARASIN. One in four. It is not very encouraging.

Mr. QUINLAN. It is a little unclear now. It is hard to get a track on the figure because the people have been transferred between the titles so many times. We are showing possible terminations when we are transferring them from title II to title VI.

Mr. SARASIN. If I may, wouldn't that mean it is less than 5 percent?

Mr. QUINLAN. I would say those termination figures of are very sound figures because those are the ones we know went into employment or some other positive termination such as moving into a training program or something like that. But it is an area where the figures might be a little soft. I do not think it is discouraging at this point.

Something we have to continue to look at as Mr. Green's statement indicated, mechanisms for determining the funding level of public service employment as unemployment rates go down and the economy recovers. This is a factor for program design beyond fiscal 1978.

Mr. SARASIN. As mentioned earlier, some of the prime sponsors have not received the kind of assistance they thought they should get from the regional offices. Do you have any plan to try and improve that?

Mr. GREEN. As you know, being one of the newer appointees, I am just beginning to get into the job. I plan to have very regularized rules and procedures for the regional offices operating. I just completed my first retreat with my Regional Administrators. We feel we are going to be very consistent with this public service employment expansion and we will not have variances. I have some human failures but I plan to put all my energies in so we have a standardized operating procedure within the regions and we do not have variances from region to region.

Mr. SARASIN. I am not sure I like the answer. Locally, I think the prime sponsors are looking for help but they are not looking for more than mandates and we are not looking for them. Apparently, that has been part of the problem, too, in some of the regional areas; whatever has been suggested has been suggested in such a way that it becomes a mandate.

Again the prime sponsors lose their flexibility to try and deal with the problem or a problem that arises in the region. I would not be surprised if we end up again with the categorical program or the idea

that the bill has not dealt with the problem and the initiatives and the local flexibility was denied.

Mr. GREEN. I do not see that as an area of conflict, sir. As I said earlier, Secretary Marshall has gone on record as supporting this point and is not interested at all in diminishing the intent of the CETA system.

Mr. HEWITT. The point to be made, Congressman Sarasin, is that the mandated standardized procedures would be as to how the major regional offices behaved, not to put a straitjacket on prime sponsors. Rather, we would tell the regional office that there is a package of technical assistance materials. We would tell them how to provide the assistance rather than have them do something different in Chicago, New York, or Boston.

Mr. SARASIN. One of the problems, as I recall from some of the letters, indicated late last year is the kind of reporting demand. It tended to categorize the whole program itself. In other words, if the report did not seem to have the proper numbers in every column somehow the program was looked upon as a failure when the fact is the particular program may not have been necessary in some areas.

Prime sponsors would be reluctant to say we do not want anybody in it. We want to do something else with the dollars again, which simply denies the prime sponsors the flexibility I think they need to get the most out of the dollars they have available.

Thank you, Mr. Chairman.

Mr. HAWKINS. Mr. Weiss.

Mr. WEISS. Thank you, Mr. Chairman.

Mr. Green, I wonder, just so that I can ask a question which will be accurate on the facts, if you would outline the difference between the current veterans preference and the proposed veterans preference.

Mr. GREEN. The current veterans preference, I don't think we can properly refer to as a preference.

Mr. WEISS. Special consideration?

Mr. GREEN. It is primarily that, special consideration, and there is no ability to follow up beyond that.

Mr. WEISS. As to the age group and to the specific requirement to qualify for the special consideration under the current law and as to the requirement under the proposed amendment?

Mr. GREEN. The special consideration is for veterans in general, regardless of age and war or period having served. We are attempting, at this time, to target on that veterans group that we regard as having the highest levels of unemployment.

The Vietnam era veteran is a younger veteran.

Mr. WEISS. Suppose you have that veteran who actually served in Vietnam in combat and happens to be over the age of 27; under the proposed amendment, that veteran would not qualify for the special preference; is that correct?

Mr. GREEN. Congressman that veteran would not qualify for special preference. However, if he or she met the eligibility requirements, they would qualify as a public service enrollee.

Mr. WEISS. If that is the argument, you do not need this special consideration or the preference. In any event, anybody who meets the general requirements would meet the general requirements, isn't that correct?

Mr. GREEN. As the administration and the Secretary testified earlier, we feel that you do need the special preference to address activities to this group, and this is the most prudent manner we thought was possible to do it.

Mr. WEISS. Beyond that and you can correct me if I am wrong, my understanding is that the special considerations under the current law specifically apply to those who actually served in the armed forces in Indo-China or Korea on or after August 2, 1964.

Is that accurate?

Mr. GREEN. If you are reading——

Mr. WEISS. Yes.

Mr. GREEN Right.

Mr. WEISS. So, under the current special consideration provisions of the law, there is a more direct targeting for the Vietnam veteran rather than the now proposed Vietnam era veteran which may have nothing to do with anyone who actually served in Vietnam and was wounded, disabled or whatever, is that correct?

Mr. GREEN. You could say so.

Mr. WEISS. So long as the person is over 27 years of age, he would not qualify, no matter where he served and the fact he served in Vietnam would not give him any kind of special consideration or preference.

Mr. QUINLAN. There is a substantial difference between special consideration, and we have had this in all of the titles of CETA since their inception, and this approach, which would give absolute preference. In other words, these Vietnam era veterans up to age 27 would be given more than special consideration. They would have the ability to turn down a job before it could be given to someone else.

That, I think, is the difference.

Mr. HEWITT. The reason this group was identified was because of their unemployment rate compared to nonveterans of the same ages. If you move up into veterans who have a few more years on them, their unemployment rate is not much different from other nonveterans of the same ages. The disparity in the younger group of veterans is on the order of magnitude of 50 percent higher in terms of unemployment rates, compared with nonveterans of the same age. We are trying to get at that unequal treatment that the labor market seems to afford this group of younger veterans.

Mr. WEISS. Here is the thing that bothers me about that. I could see the justification for a special consideration or for a preference if, it were tied to the special service which an individual has contributed to this country and I define special service as meaning actually having served in Indochina, in Vietnam at a time of hostilities whether or not the veteran may have been injured or wounded during that period.

That, I think, should entitle somebody to special consideration. But given the kind of high unemployment rates that we have among special categories of younger people, including among younger women, categories, I do not know what the purpose or the justification is for taking people who happen to have served in the Armed Forces but who did not in fact undergo any greater privation than someone else who may have been in the civilian market and saying that just by the very fact of having been in the military, they are entitled to a preference rather than as a result of where they served or what happened to them.

I am lost as to what the justification is for the preference. It does not seem to be hinged to anything.

Mr. GREEN. As I indicated—first, disabled veterans would move to the front of the queue.

Mr. WEISS. So long as?

Mr. GREEN. So long as he or she met the criteria.

Mr. WEISS. And was under the age of 27 and the income levels or the terms of unemployment which met these eligibility requirements. That seems to be, to me, a meaningless gift we are giving to somebody.

If somebody is 28 or 29 and is a disabled veteran, that seems to be a justification for the preference and that age cutoff does not make any sense.

Mr. QUINLAN. Because of the special consideration that would apply to other veterans, there is a very strong likelihood that older individual would also be enrolled because we are only talking about 5 percent of the available positions that are going to be financed between now and the end of the calendar year for the younger group.

Mr. WEISS. It seems to me it will not give you anything in the event of disabled veterans. Regardless of age, that person should qualify under the veterans preference.

Mr. QUINLAN. Then that would become a program—depending on the numbers involved—conceivably, for all disabled veterans throughout the United States.

We are trying to do other things for veterans such as the HIRE program where we are hoping to have upward of 80,000 veterans with given positions in the private sector. In addition we are hiring 2,200 disabled veterans in the State employment agencies.

So this is not the sole approach or overall approach for veterans. It is a part and an important part of it.

Mr. WEISS. You are taking a special group of younger people whatever the unemployment rate seems to be and saying we have to find a formula, so the formula will be Vietnam era men who served within the military. But if the concern is for those within the high unemployment category, would you not think also that there ought to be a special preference for young women within a certain age group who also are in that high unemployment rate?

Mr. GREEN. We took the position that this group should be authorized special efforts——

Mr. WEISS. Because?

Mr. GREEN. Because they were Vietnam era veterans.

Mr. WEISS. You are trying to have it both ways.

If I attack the Veteran argument, then you say it has nothing to do with veterans, it has to do with high unemployment. If I attack the high unemployment rate argument, you say it has nothing to do with unemployment, it has to do with veterans. It just does not wash as far as I am concerned.

Mr. Chairman, I have no further questions.

Mr. HAWKINS. Mr. Corrada.

Mr. CORRADA. Mr. Green, I wish to welcome you to the subcommittee. This is the first opportunity I have had to hear you after your confirmation as Assistant Secretary. I concur with what you said in the beginning, your commitments to solve the high unemployment problems of this Nation.

I am sure that the relationship of this subcommittee and yourself will be fruitful. I would like to know, whether it would be necessary for you to obtain a repeal or waiver of section 4(e) for the current 1977 appropriations as you are suggesting for 1978?

Mr. GREEN. We felt that repeal of the 4(e) section was the most expeditious way to move on the issues of forward funding and increases in funding. We would be willing to work with the committee on limited waivers, however.

The Administration feels, however, this repeal is necessary to allow us to have the appropriated funds in title III and title IV, but again, as on the veterans issue, as I expressed earlier, this administration is willing to work with the subcommittee to try and achieve these goals.

We may think of some other ways to accomplish the goals, such as through a limited waiver provision. We are willing to work it out.

Mr. CORRADA. Is there a difference in your mind between the repeal you are suggesting or a limited waiver?

Mr. GREEN. We feel that whatever will accomplish the objectives we have recommended in the testimony is desirable. We think repeal is the best way to proceed. It would be the cleanest and most preferred way on the part of the administration.

Mr. CORRADA. Mr. Green, as you know, the question of developing a comprehensive youth title is now under consideration.

Would it not be perhaps more convenient to consider the possibility of a waiver in conjunction with the development of a comprehensive youth title under the program rather than suggesting such a thing now?

Mr. GREEN. As you know, Congressman, our youth proposal will not be before the committee until around the first of April. We will not have completed that. We feel that this repeal of 4(e) is the best way for us to proceed now. But again, I want to indicate, we are willing to work with the subcommittee to try and achieve this objective.

Mr. CORRADA. You mentioned in your testimony, and I recall that when Secretary Marshall appeared before us he mentioned it also, that the best way to get prompt action on the extension of the CETA Act for fiscal year 1978 would be a simple extension.

Now, if we open up CETA to these amendments that you suggest in your testimony, don't you think, then, that we would have to consider other amendments, other complications related to those proposals which could conceivably delay the CETA extension?

Wouldn't it be better if we have a prompt action on the simple extension and then sit down and consider substantive amendments later?

Mr. GREEN. Our stimulus package has been put before Congress, and to meet the goals in the stimulus package, we perceive we need the repeal of 4(e). In our opinion, this is the most appropriate way to proceed with it, particularly on the timeframe with which we expect to mount the programs.

Mr. CORRADA. You mention in the testimony, or in answer to one of the questions, that you anticipated that you would be escalating on the basis of 67,000 jobs per month for the months of April, May, and June from the current level of 300,000.

Mr. GREEN. Yes, sir.

Mr. CORRADA. Would action be taken by the Department so that the prime sponsors would be able to plan with sufficient time so it would

be meaningful to them in terms of being able to achieve these objectives?

Mr. GREEN. We think we have provided for that.

We have now put out in the Federal Register, the revised rules and regulations for titles II and VI activities.

We expect to have allocations formulas out on the street within the next week. We have been holding preliminary discussions with our CETA prime sponsor work groups as well as the regional offices, and holding meetings with the CETA prime sponsors around the country to alert them of our program increase and how we think we can move most expeditious in meeting those goals.

Mr. CORRADA. Thank you.

I have no further questions, Mr. Chairman.

Mr. HAWKINS. Mr. Pursell.

Mr. PURSELL. Just a brief comment.

I was curious to hear the remarks about the meeting with the regional people. Apparently in your earlier efforts, and I congratulate you upon your appointment and concern, that you expressed the idea of having to make a retreat so you can work out appropriate policy changes.

I would hope, in my opinion, that might be considered an advance rather than a retreat.

In looking at it from a positive standpoint, I would be hopeful in our interest in this program, as most of us today have, with high unemployment rate levels in this country, we might consider doing a better job with a 2-year program rather than the crisis situations that prevail in Congress and countrywide. A program not for the benefit of Congress or your benefit, but principally for the benefit of the individual on the other end of the CETA program.

Hopefully, long range would be an improvement of the quality of the program providing upward mobility for the CETA worker in the private sector market rather than being in a dead end job, not knowing from year to year where he or she is going.

I would be hopeful no matter what the percentage level of unemployment—we realize that this is an extremely popular program and regardless of the politics, that in order to do a good job, good from your point of view, from the point of view of the recipient on the other end, we must obtain some kind of improvement for upward mobility. I feel we have left out the training emphasis of the CETA. I perceive the need to provide a program for the CETA employee through which he or she could be moving up in skills or taking some classes or spending part of their time during that job to improve their skills.

You ought to seriously think of the 2-year concept.

Mr. GREEN. I might point out, that in areas other than the public service employment program, we certainly are looking at the attachment question, the quality of training, the larger involvement of the private sector. We are approaching it from a number of angles. Higher program increases in apprenticeships, and our revitalization, where we can, of the private sector within the CETA system.

I might just point out that we will have, that in mind in carrying out the stimulus package and in other activities going on to reduce unemployment and to improve the economic situation generally.

Our view is this was the most expeditious, quickest way to involve large numbers of people in employment, as Secretary Marshall has testified. However, as we have indicated in the testimony, as we move toward improved economic health and the lowering of unemployment rates, we want to be able to come back to the community and look to the level of public service employment enrollees.

Mr. PURSELL. Would you reconsider 1 year rather than that 2-year concept?

It seems like it would give you a chance to get out in the field rather than coming before a lot of subcommittees.

Mr. GREEN. Secretary Marshall has testified on this and in view of the administration's position, I support that.

Mr. PURSELL. No further questions, Mr. Chairman.

Mr. HAWKINS. I have no further questions, Mr. Green. However, I do have one question submitted by my colleague, Mr. William Ford of Michigan, which I will submit to you in writing.

The question relates to the HEP camp program, a program under title III, pertaining to migrants. Rather than continue the hearing this morning, without objection, I will submit the question to you in writing and you may reply in writing. It does not relate to anything we have discussed this morning so I hesitate to bring it into discussion.

Mr. Green, may I thank you for your testimony and that of your associates who have accompanied you this morning. We will attempt to work with you in these areas to see if it is possible to reach some understanding with respect to an early reporting of this bill. Those efforts will be joined obviously by both the majority and the minority within the next 24 or 48 hours. We would like to work out with you some time frame in which we can attempt to get together on an early reporting of the bill which you have indicated you wanted to do. With that understanding, again I wish to thank you. The Chair recognizes Mr. Sarasin.

Mr. SARASIN. One additional question.

Mr. Green, is the Department going to try to work out some informational flow as to the actual reduction in unemployment insurance claims and welfare claims in these public service jobs they are creating?

I think we see a lot of rhetoric in the area and not much hard facts. I do not know how you do it except to try to trace every individual down. Are we seeing a reduction in unemployment claims or welfare claims? Are we in fact providing jobs for people on the welfare rolls or public service rolls?

Mr. GREEN. We will be working on that; on the question of welfare reform and others; we see them as having some interrelationship.

Mr. SARASIN. I think the claim has been made for every $1 you spend in public service employment, you save $1 on unemployment compensation. I do not think in reality we can justify that kind of claim but we do need some hard facts.

We have to run for a vote before another subcommittee, this time on the subject of raising the minimum wage. If the minimum wage is raised, will the Department be making the recommendation to pay other than this minimum wage in the youth programs for the Department stipend or are they prepared to ask for the dollars to pay the minimum wage?

Mr. GREEN. I think the Secretary is testifying next week on the question of the minimum wage, sir.

Mr. SARASIN. Thank you.

Thank you, Mr. Chairman.

Mr. HAWKINS. Thank you, gentlemen.

The meeting is adjourned.

[At 12:22 p.m., the meeting was adjourned.]

[Material submitted for inclusion in the record follows:]

March 21, 1977

Honorable Ernest C. Green
Assistant Secretary for Employment
and Training
U. S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D. C. 20210

Dear Assistant Secretary Green;

In the hearing of the Subcommittee on Employment Opportunities on March 16, 1977, I indicated that I would be submitting questions relating to the High School Equivalency Program and College Assistance Migrant Programs (HEP-CAMP) at the request of Congressman William Ford. Background information and questions relating to those programs are attached.

I would appreciate your response by March 28 so that it might be included in the record of the March 16 hearing.

Sincerely,

AUGUSTUS F. HAWKINS
Chairman

AFH:sgm

cc: Hon. William Ford

91-401 O - 77 - 12

BACKGROUND ON HEP-CAMP PROGRAMS

The total cost for the current 18 programs (14 High School Equivalency Programs — HEP and 4 College Assistance Migrant Programs -- CAMP) is about $5 million a year. HEPs give dropout migrant students classes, counseling, tutoring, etc. over a 6 to 8week period to prepare for GED testing and job placement. CAMPs provide counseling, tutoring and guidenace to dtudents to help them adjust scholastically and emotionally during the first year of college.

CAMP evaluations are very high (some call them model programs). HEPs fare less well — largely because of limited time allowed under DOL manpower regulations and lack of credit to programs for cultural, social and other non-manpower benefits provided.

Questions:

You may be aware that the Department last year was nearly successful in its attempt to end categorical funding for two small, highly sufcessful programs which were "spun-off" from OEO and have been funded from the National Account portion of CETA funds. Congressional action on several fronts (appropriations committees, Education and Labor Committee) mandated that the Department continue funding through FY '77.

These programs, the High School Equivalency Program and the College Assistance Migrant Program (HEP-CAMP), were designed by OEO to improve the upward mobility and occupational choices of migrant youths and are operated on college campuses around the country.

The current funding for them effectively ends in a few months because of the school year cycle. On behalf of many Members of Congress -- and particularly members of the Committee on Education and Labor -- I am expressing the hope that you and the Secretary would give the most careful consideration to continuing the present form of funding and to revising the guidelines in a manner which would permit expansion of services by moving away from a strict manpower evaluation. Do you have any plans in this area?

The former Chairman of the Subcommittee on Agricultural Labor, Congressman Bill Ford, led the struggle last year which continued these programs. He recently visited one of these programs in Austin where he had an opportunity to speak with Secretary Marshall about them. I understand that the Secretary spoke of a much more favorable climate for migrant programs in this administration. Do you think, in view of the new climate, these programs could be guaranteed funding on more than a year-to-year basis to establish some stability in operations?

Could you have someone work with the program directors to devise regulations and guidelines somewhat more in line with the overall goals of the program as they were originally designed?

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SUBCOMMITTEE ON POSTSECONDARY EDUCATION
619 HOUSE OFFICE BUILDING ANNEX #1
WASHINGTON, D.C. 20515

March 11, 1977

Hon. Augustus F. Hawkins
Chairman
Subcommittee on Employment
Opportunities
Committee on Education and Labor
B-346A Rayburn House Office Building

Dear Mr. Chairman:

When your subcommittee receives testimony on Wednesday, March 16, from the Assistant Secretary of Labor for Employment and Training on the Administration's proposal to extend the Comprehensive Employment and Training Act, I would be most appreciative if you would have the opportunity to discuss with him two programs of great interest to you and me.

You may recall that in late 1975 the Department of Labor announced that it intended to discontinue the direct funding with CETA discretionary funds of two programs which had been transferred from the Office of Economic Opportunity. These programs, the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP), were designed to improve educational opportunities for migrant youths by providing high school dropouts with tutoring and other supportive services leading to a high school equivalency diploma (the HEP program) and by providing tutoring, counseling and supportive services during the first year of college (the CAMP program).

You joined me and some 100 Members of Congress in an attempt to persuade the Department to continue the programs. Attached for your reference is a copy of one letter containing 66 signatures alone. Ultimately, through report language accompanying the Second Supplemental Appropriations bill for fiscal year 1976 and through language in the Education Amendments of 1976, Congress directed the Department to continue the funding through fiscal year 1977.

Despite numerous obstacles presented these programs by the Department of Labor, they have proven to be highly successful. In this connection, I am interested in the Assistant Secretary's plan for protecting and continuing these programs.

It is my hope that the Department would not only continue the direct funding of these programs but would additionally refine the guidelines under which they have operated to recognize the unique services they provide for the enrolled students beyond the traditional manpower model.

One of the four CAMP programs is located at San Diego State University. Another, which I had the opportunity to visit recently, is in Austin, Texas. Additionally, there are 14 HEP programs in operation, two of which are located in California (California Polytechnic State University and the University of the Pacific).

As the immediate past Chairman of the Subcommittee on Agricultural Labor, I was pleased with the emphasis on services to migrants contained in the President's economic stimulus message to Congress. Therefore, I am hopeful that, during your hearing on the proposed CETA extension, the Assistant Secretary might agree to continued funding of and revised guidelines for the HEP-CAMP programs.

I might also add that I recently had the opportunity to discuss these programs personally with Secretary Marshall and his reaction was very supportive and enthusiastic. I would therefore appreciate it if we could get something positive on record from the Department and the hearings you have scheduled would be our most appropriate and convenient opportunity to do so.

Thank you for your cooperation.

With kind regards, I am

Sincerely,

WILLIAM D. FORD
Chairman

WDF:pmp

Congress of the United States
House of Representatives
Washington, D.C. 20515

February 27, 1976

Honorable W. J. Usery, Jr.
Secretary
U.S. Department of Labor
Washington, D. C. 20210

Dear Mr. Secretary:

The Department of Labor's plan to discontinue categorical funding of the High School Equivalency Program (HEP) and the College Assistance Migrant Program (CAMP) on August 31, 1976, is of great concern to us, and we write with the hope that you might be able to grant them a temporary reprieve.

We are only too aware, because of migrant populations in our states and our work with legislation aimed at improving the lot of the migrant and seasonal farm workers, of the need to improve the educational opportunities of these people.

In this connection, we call to your attention a commitment made by Assistant Secretary Kolberg to the Chairman of the House Subcommittee on Agricultural Labor on December 27, 1973:

> "I reaffirm the pledge . . . that the Department of Labor has no intention of converting the farm worker programs to a single dimensional manpower model. We shall continue to fund a program mix, including self-help housing, high school equivalency, emergency food, and others until and unless (a) those programs no longer serve the needs of farm workers, or (b) other Federal agencies are willing and able to assume responsibility for some of the categorical programs which are more appropriately in their area of responsibility." (Emphasis added.)

Certainly, neither of the conditions mentioned which would justify decategorization have occurred.

Honorable W. J. Usery, Jr.
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Therefore, we appeal to you to continue categorical funding of these programs for an additional year. This would give Congress sufficient time to consider legislation transferring these programs to the Department of Health, Education and Welfare, a suggestion implicit in Mr. Kolberg's promise.

The existing projects have been unsuccessful in negotiations with CETA 303 grantees for continued funding at their present levels of operation, and it appears that most will simply cease to exist should the Department's plan be carried out. Because of the success rate and the low cost of the programs to the nation, we strongly urge you to consider our request for a year's extension.

Sincerely,

William D. Ford

Augustus F. Hawkins

Patsy T. Mink

James G. O'Hara

Paul [illegible]

Michael T. Blouin

Edward P. Beard

Shirley Chisholm

Jaime Benitez

William Lehman

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Peter A. Peyser

Ronald A. Sarasin

Dante B. Fascell

Claude Pepper

Harold Runnels

E. (Kika) de la Garza

Bob Eckhardt

Richard C. White

Barbara Jordan

Henry B. Gonzalez

Abraham Kazen, Jr.

Robert (Bob) Krueger

Charles Wilson (Texas)

J. J. Pickle

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Frank Thompson, Jr.

John H. Dent

Joseph M. Caydos

Mario Biaggi

Tim L. Hall

William F. Goodling

Joel Pritchard

Lloyd Meeds

Floyd V. Hicks

Don Bonker

Mike McCormack

Thomas S. Foley

Brock Adams

John E. Moss

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John J. McFall

B. F. Sisk

George E. Brown Jr.

James C. Corman

George E. Danielson

Mark W. Hannaford

Harold T. Johnson

John Krebs

Robert L. Leggett

Jim Lloyd

George Miller

Fortney H. (Pete) Stark

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Timothy E. Wirth

Patricia Schroeder

Jim Weaver

U.S. DEPARTMENT OF LABOR
Office of the Assistant Secretary for Employment and Training
WASHINGTON, D.C. 20210

Honorable Augustus F. Hawkins
Chairman, Subcommittee on Employment
Opportunities
Committee on Education and Labor
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I appreciate the opportunity to respond to your letter of March 21, 1977, concerning the High School Equivalency Programs (HEP) and the College Assistance Migrant Programs (CAMP) currently funded by the Department of Labor (DOL) under the provisions of the Comprehensive Employment and Training Act (CETA) of 1973, title III, section 303.

As you are aware, the Congress directed the Department of Health, Education, and Welfare (DHEW) to conduct a study of these programs with a view toward providing recommendations as to whether the program should be continued and if so, which agency would best administer them.

It is our understanding that DOL will shortly have an opportunity to review and comment on the study. Thereafter, the study will be presented to the Congress for its consideration. As you are also aware, these programs are due for refunding August 31, 1977. In the interest of time, we propose to refund the program for another year. This will allow all interested parties sufficient time to fully evaluate the DHEW report and to thereafter work out arrangements for the future.

With respect to your concern as to whether the guidelines governing the HEP/CAMP program should be changed, we believe the current guidelines are sufficiently flexible to achieve the objectives of the program.

Thank you for allowing me to share my thoughts with you concerning this matter. Should you require further information or clarification, please do not hesitate to let me know.

Sincerely,

ERNEST G. GREEN
Assistant Secretary for
Employment and Training

STATEMENT OF THE HONORABLE JACK KEMP, REPRESENTATIVE TO CONGRESS FROM THE 38TH DISTRICT OF NEW YORK, BEFORE THE SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES, HOUSE COMMITTEE ON EDUCATION AND LABOR, WASHINGTON, D. C., MARCH 16, 1977

Mr. Chairman and Members of the Subcommittee:

I wish to express my appreciation to the Chairman and Members of this Subcommittee for holding these important hearings on what government should be doing to maximize employment opportunities and for allowing me this opportunity to present this statement. I will always value my four years of service on your Committee.

As the holding of these hearings recognizes, there is a constant need for Congress to review the successes and failures of its previously enacted policies and programs in the jobs creation area. The policies and progr - which were right for last year may not be right for next year. This is important, for if Congress locks itself into a course and insists upon that course year after year, it will become a static force, a drag upon the evolution of policies and programs which arises from changed economic conditions, changed needs within the economy, and changed public opinion. Congress should be a dynamic force behind spurring the economy and creating and preserving job opportunities. I see no reason why we should not articulate new policies for new times and enact legislation in furtherance of them.

How best to maximize employment opportunities cannot be addressed through a single policy or a single program. Public works and public service cannot accomplish our objective. Tax reform can help or hender it. So can regulatory policy. I know the jurisdiction of the Committee on Education and Labor is limited to employment in general, that it does not extend to taxes, to public works construction, or to government regulation, but employment in general must be examined in the context of the overall picture, a context which includes these additional facets. I do not see what good it can do, for example, to extend the CETA program or establish a Youth Conservation Corps in the name of

jobs, if government at the same time is jeopardizing or actually destroying the same or greater level of jobs through misdirected tax or regulatory policies.

If government is going to derive the maximum benefit from each tax dollar spent, Congress must have a clearly and emphatically stated goal with respect to employment. In my opinion, that goal ought to be job creation and job preservation. And we ought to reject those policies -- offered in Congress or from the Administration and its departments and agencies -- which would frustrate such a goal.

In this context, we should look at public service and public works employment as temporary bridges to permanent, productive jobs in the private sector of the economy, as tax-consuming jobs which need to be transformed into a tax-generating jobs.

And we should look at tax reforms in terms of jobs. When tax reforms are offered that jeopardize jobs, they must be defeated. When tax reforms are offered that create or preserve jobs, they should be enacted.

Let me deal with each of these.

New General Accounting Office Studies Show Why Reform of the CETA Program Is Essential

Earlier in the Session, I introduced a bill to reform the programs established under the Comprehensive Employment and Training Act -- CETA. A thorough reading of just-released studies by the General Accounting Office of CETA programs around the country[1/] underscores the importance of immediate consideration of this legislation. Congressman John J. LaFalce of New York joined me in that introduction.[2/]

General audits, GAO released through me its 2-year study of the CETA program in the city of Buffalo and county of Erie, New York. I had requested that study on January 23, 1975, as news reports in the Buffalo area disclosed numerous, apparent violations of the CETA law and regulations. I am encouraged

by the thoroughness of that report and its recommendations. Coupled with what we already know about other problems with the program, it gives Congress a clear picture of what it has to do to protect the taxpayer's investment in public service jobs. To their credit both the city of Buffalo and the county of Erie not only responded fully with CWI but also undertook steps to reform their own programs.

This report discloses there --

- Some outstanding participants;
- Many violations of Labor department regulations, occupational and political activities;
- Many problems in initially reporting or administering costs, including avoidance of required advertisements;
- And a lack of formal procedures to take corrective target groups [illegible] specific participation;
- And a failure of managers to [illegible] problem participants obtained personnel, [illegible] them to the private sector.

Other GAO audits on the CETA program have been similar out different problems. The bill we have introduced, H. R. 1234, the Comprehensive Employment and Training Act of 1977, is designed to correct them.

[illegible] Work Incentive Program

In recent months there has been much discussion of significantly expanding [illegible] welfare system. The problem [illegible] apparently with us a number of years and [illegible] only [illegible] spent across the country. While the administration is [illegible] the difficulties for [illegible] Congress to [illegible] of the problem areas in the welfare system, it continues to ignore those public service employment, potentially because it sees them as a threat [illegible] permanent jobs available in the private sector.

[illegible] and [illegible] expansion of this

and other public service job programs, however. Like all Government programs, funds to sustain it must come from the taxpayers. The well-meaning attempt here to put people back to work and to put some take-home pay in their pockets now may be at the expense of the long-term jobs creation which can come only through leaving more of the people's income with them.

The most effective, long-term solution to our economic problems is a substantial infusion of investment capital into the expansion of industrial plants and the purchasing of tools and equipment required to preserve existing jobs and create new ones. This infusion is made nearly impossible when Government taxes at its present rates. It does little good to spend taxpayers' dollars, if the expenditures are counterproductive or, at best, only marginally beneficial, and the CETA program seems to me to fall into this category.

My area of principal concern focuses on the kind of benefit provided to the program's enrollees.

The way the program is now being administered, the local prime sponsors' public service employment programs do not provide adequately for training. Yet training is essential to enhancing job skills and to lessening future dependence on tax-supported assistance in general and public service jobs in particular. Stated another way, these programs are contributing very little to lessening future dependency on the programs themselves.

Most of these jobs today have the character of make-work with little genuine orientation to the long-range benefits needed by the community or to the person employed under the act. This is misleading to the community and the taxpayers, and it is outright cruel to the person employed or his or her family.

Unless these people are given sufficient training in skills related to jobs available within the private sector, there will be greater danger of them falling back into unemployment, underemployment, and other forms of public

assistance at the end of the program. This, in turn, simply generates more pressures on the Congress to continue the program beyond its present termination date. Unless something is done by Congress to require program designs consistent with breaking such cycles of dependency, this temporary program could become like too many others — permanent.

Creating a higher level of employability for each person who is given a job under this program is essential. Logic demands these jobs ought to be oriented toward creating a more permanent employability of the participant. As a result of the program, the workers ought to be able to find and to keep a permanent job. This can be most effectively accomplished through on-job training within the private sector. The results would be manyfold: Enhanced job skills, improved motivation, lessened dependence, less demand upon the public purse. In contrast, those types of public service jobs which have no, or little, private sector comparability are almost incapable of assuring a higher degree of employability. They give to the person little skill improvement. They do not lessen his or her dependence. And what it does to their motivation and morale borders on being immoral.

I am reminded of the old Chinese proverb:

> Give a man a fish and you have taken care of him for one day. But teach that man to fish, and you have taken care of him for the rest of his life.

Make-work, dead-end jobs give a man or woman that proverbial fish. They take care of today's needs, but do nothing about tomorrow's. Only when we teach him or her new skills with which to better assure their own chances of gaining private sector employment, do we do them the service we owe to our fellow man. The greatest charity of all is to help a person be able to help themselves.

After a thorough review of the act and its legislative history, I am convinced there is much latitude for providing training. The act allows it in instance after instance. Unfortunately, not enough emphasis has been put

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on that fact by the Federal headquarters and regional administrators in working with local sponsors. In my opinion, the Federal administrators ought to require -- to insist -- that training be given top priority before they approve plans submitted from the sponsors.

Some of the amendments in the bill we have introduced reflect this concern over lack of training priorities.

Provisions of the New Legislation

The basic program was authorized by the Comprehensive Employment and Training Act of 1973, Public Law 93-203, 29 U.S.C. 801 et seq. That was amended by Public Law 94-444. The amendments proposed in our legislation address themselves to the basic act, as amended.

They are as follows:

Section 3 restates the purpose of the act, elevating the importance of job training and other services which will lead to maximum employment opportunity in the private sector and enhanced self-sufficiency.

Section 4 assures the opportunity for private organizations and associations to train persons by contract with the local sponsors.

Section 5 authorizes public school boards to act as additional prime sponsors.

Section 6 protects the autonomy of local governments as prime sponsors, principally against intrusions by State governments.

Section 7 establishes additional conditions for receipt of financial assistance, including maintaining records of expenditures accurately; maintaining records and reporting accurately on pension benefit costs accruing for program enrollees; and reviewing carefully job applications for completeness and accuracy, assuring the data on application forms are verified prior to any payment of funds.

Section 8 instructs the Secretary of Labor not to approve a comprehensive manpower plan or any amendment thereto until he determines, in addition to

qualifications already set forth in the act, the description of the plan or amendment thereo describes and justifies adequately the activities funded under titles II and VI of the act. The Secretary shall also require the regional offices to review thoroughly sponsors' planned expenditures shown in grant grant applications and actual expenditures shown in quarterly financial reports in order to assure compliance with the act. These were among the principal recommendations of the GAO study in addressing itself to inadequate administrative oversight of local programs.

Section 9 restates the purpose of the public employment programs, elevating the role of training and manpower services designed to enable unemployed, underemployed, and economically disadvantaged persons to move into training or employment not supported by the act.

Section 10 prohibits a requirement from being imposed on local sponsors by the Labor Department or any other entity to maintain a percentage of persons paid through CETA funds after the expiration of the Federal funding on local public payrolls. The dollar drain such a requirement imposes on State and local government is often so over whelming that property and other local tax increases become inevitable.

Section 11 states a preference for unemployed veterans, urging the local sponsors to assure the percentage of veterans served under the program is no less a percentage than that of veterans among the total qualified population in the area.

Section 12 is designed to maximize the impact of public service expenditures by encouraging sponsors to concentrate most on those most likely to obtain permanent employment in the private sector within a reasonable time as a result of the assistance they receive under the act. This would be 180° reversal, from the present policy by which they are encouraged to concentrate on those least likely to obtain such permanent employment in the private sector.

Section 13 defines CETA's $15,000 maximum salary limitation for local participants, requiring any earned income from moonlighting jobs held simultaneously by such participants to count against that $15,000 ceiling. For example, if a person were earning $4,000 in a moonlighting job, the most he could receive from CETA funds would be $11,000.

Section 14 makes it very clear that there can be no requirement imposed on sponsors to make contributions from these funds to public retirement programs. This is a crucial point. The GAO report on Buffalo and Erie County zeroes in on this practice. Erie County officials told the GAO investigators that the State actively pushed for CETA participants to join the retirement system, because this was a means of putting funds into it, borne by CETA rather than local governments, and most of the participants would not be employed long enough with local government agencies to attain any vesting interest in the fund. Thus, the financial position of the retirement fund would be improved. Those officials said application blanks were mailed in bulk to the prime sponsor by the State comptroller. This amendment will stop this abuse.

Section 15 makes it clear that there shall be no assignment of public employment persons to the staffs of publicly elected officials.

Section 16 tightly defines nepotism, prohibits it within these programs, and sets forth penalties and forfeitures, first, for violations of the anti-nepotism provision and, second, for any failure by agreement to perform the service for which the person was hired -- "no shows." These problems were dealt within the GAO study on Buffalo and Erie County.

Section 17 incorporates persons employed through CETA funds at the local level within the coverage of the Hatch Act, prohibiting them from a wide range of political activities.

Section 18 sets forth the criterion for the maximization of employability within the private sector as a condition applicable to all programs under the

act, not just the public service jobs program.

Section 19 sets forth additional conditions applicable to all programs, including, first, the recovery of funds authorized under the act and paid to program participants found by an instrumentality of the government or program sponsor under the act to have been ineligible for participation or assistance and, second, a limitation on the percentage of program costs which can be used for supplies and equipment -- 10 percent. These problems were brought out in the GAO report also.

Section 20 would prohibit the hiring of persons for the performance of functions which had been performed, at any time during the 180-day period immediately prior to the date on which such hiring would occur, by persons employed under applicable civil service laws of the State or unit of general local government involved. This is to prevent the "busting" of government employee unions.

Section 21 sets forth civil penalties — forfeiture of pay and a fine of not more than $1,000 — for discrimination on the basis of political affiliation in the selection of participants.

These amendments follow the sequence of applicable sections of the existing act.

Mr. Chairman, I strongly urge you and the Members of this Subcommittee to consider these amendments and incorporate them into any bill which you may report to the full Committee. There's no better time than the present to harmonize this program with current economic conditions and needs; the amendments would go a long way to accomplishing that.

But reform of the CETA program is only a first step to alleviating the severe, persistent unemployment in the country today, an unemployment which has not dropped since last November's various election victories.

I am convinced tax reform -- specifically across-the-board reductions in

tax rates -- is the only long-term, substantive answer to unemployment which can work.

Tax Reform Alternatives to Government-Subsidized Jobs

The government needs to do much more for those now unemployed, underemployed, or in government-subsidized jobs than merely extend the government-subsidized jobs programs.

President Carter says repeatedly that decisions affecting government programs should be made within functional categories. This is the basis for his government reorganization effort, which appears as if it will be successful. Publicly-subsidized jobs must be considered in the context of the totality of jobs. Inasmuch as jobs in the private sector are far greater in number, inasmuch as those jobs in the private sector provide the alternative to public service jobs, and inasmuch as tax rate reductions would create and preserve more jobs in the private sector, the role of permanent tax rate reductions on individuals and businesses thus becomes crucial to these job questions.

I am particularly encouraged by recent statements of Secretary of the Treasury, W. Michael Blumenthal, on this point. The Secretary has strongly emphasized the importance of increased capital investment, arising from tax rate reductions, as a means of creating and keeping jobs. Two recent articles in the Washington Post, "Treasury Chief Favors Uniform, Lower Income Tax Rates," by Hobart Rowen, and the March 10 column of Evans and Novak, underscore this. OMB director T. Bertram Lance testified before the Joint Economic Committee on February 24 that permanent tad cuts are preferable to temporary tax cuts and that a permanent tax reduction will be incorporated in the President's tax reform proposals slated for transmittal in mid-August. I am very much encouraged by this.

Tax policy must be considered from the standpoint of its effect on the incentives of people to work and produce, to save and invest, to build

and employ -- all of which adds up to jobs. When tax rates go up and investment and employment opportunities in the private sector go down, it is not the rich who have been soaked. It is the unfortunate workers who either become unemployed or must work with less productive tools and machinery and the unfortunate would-be workers who remain unemployed.

Attempts to benefit the less fortunate and fight poverty by redistributing income through the tax code are ultimately counterproductive. Instead of dividing up a static economic pie, we need to expand the size of that pie, so everyone can partake more of it. The only real way to raise the standard of living for everyone, including those now dependent on government-subsidized jobs, is to increase the amount of capital per capita by reducing the tax barriers to investment and employment.

The greater the tax, the greater the shrinkage in real growth. Conversely, lower tax rates produce growth. When tax rates were cut in the 1920's, 1950's and 1960's, jobs were created, people consumed more, output soared as workers had more incentive, small businessmen worker longer hours, professional people took shorter vacations — which meant they were more productive, people saved more, and investment grew. No wonder tax revenues rose.

We must eliminate the tax bias against job creation, for taxes impact directly on hiring. A firm's total cost of hiring includes payroll and withholding taxes, while a worker's takehome pay is exclusive of both. As taxes rise, the cost of labor to the firm rises, and fewer workers are hired. Simulateneously, the takehome pay of those with jobs is reduced, causing many workers to lose incentive and opportunity. Those without work enter the ranks of the unemployed, at first drawing unemployment compensation. As the job market remains tight and unemployment benefits run out, the man or woman who once had a job enters the welfare system or a make-work job. There is no clearer way to see how jobs relate to welfare and other forms of public assistance and dependency.

I have pushed very hard over the past 4 years for reductions in tax rates --specifically to create and sustain jobs. The bill which I have introduced to accomplish this purpose is the Jobs Creation Act of 1977, most recently introduced as H.R. 4735. That legislation now has 114 co-sponsors on the House side. It offers the administration and the Congress a means of carrying out Secretary Blumenthal's and Director Lance's emphases on tax rate reductions to create jobs, and coupled with the National Welfare Reform Act, H.R. 4679, and the Comprehensive Employment and Training Act Amendments, H.R. 4734, it offers the Administration and the Congress a means of carrying out substantive jobs reform and creation of alternatives to public dependency.

I look forward to working with the Committee in its deliberations.

1/ The GAO report on the City of Buffalo and County of Erie, N.Y., entitled "Employment Programs in Buffalo and Erie County under the Comprehensive Employment and Training Act Can Be Improved," was released on February 18, 1977; its GAO document number is HRD-77-24. Additional studies which should be reviewed by the Committee are "Progress and Problems in Allocating Funds under Titles I and II - Comprehensive Employment and Training Act," GAO document number MWD-76-22, of January 2, 1976; "Formulating Plans for Comprehensive Employment Services - A Highly Involved Process," GAO document number 76-149, of July 23, 1976; and "Followup Report on Services to Veterans in Delaware under Title VI of the Comprehensive Employment and Training Act," GAO document number HRD-77-16, of February 16, 1977. There are other reports as well.

2/ H.R. 4398 was introduced by me on March 2. An identical bill, H.R. 4734, was introduced by me and Rep. John J. LaFalce on March 9. Both were referred to the Committee on Education and Labor.

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INTERSTATE
CONFERENCE OF
EMPLOYMENT SECURITY
AGENCIES, INC.

March 29, 1977

The Honorable Augustus F. Hawkins
The House of Representatives
Washington, D. C. 20515

Dear Congressman Hawkins:

Enclosed you will find the statement and position of the Interstate Conference of Employment Security Agencies, Inc. covering the extension of CPTA.

In discussing this with your staff they suggested that due to the time constraints and full hearing schedule of the subcommittee on this subject that we forward a written statement. We would appreciate our statement being accepted as part of the proceedings for the record.

Thanking you, we remain,

Sincerely,

William L. Heartwell, Jr.

William L. Heartwell, Jr.
Executive Vice President

Enclosure

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STATEMENT
OF

INTERSTATE CONFERENCE OF
EMPLOYMENT SECURITY AGENCIES, INC.

CONCERNING

THE EXTENSION OF THE COMPREHENSIVE EMPLOYMENT
AND TRAINING ACT OF 1973

TO THE

SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES

MARCH 29, 1977

The Interstate Conference of Employment Security Agencies, Inc., appreciates the opportunity to share with your committee our recommendations for the extension of the Comprehensive Employment and Training Act of 1973. The Conference is also grateful for the opportunity afforded to State employment security administrators to testify in the seven hearings conducted by last year's Subcommittee on Manpower, Compensation, and Health and Safety chaired by Congressman Daniels in various locations across the country concerning the oversight of the CETA program. We commend this grass roots approach taken by the former committee, as all delivery of CETA as well as ES services certainly emanate on the local level and not from the Department of Labor or the various national organizations representing their constituency and membership.

In addition to the testimony provided by the State employment security administrators, ICESA also had an opportunity to testify on June 16 of last year before the Joint Subcommittees on Education and Labor, and the Subcommittee on Unemployment Compensation of the Committee on Ways and Means during the oversight hearings on the Public Employment Service. We feel that the positions and recommendations documented in that testimony are still relevant and that there still remains an urgent need for the Congress to better define the interface between the public employment service system under the Wagner-Peyser Act and of the prime sponsors under the Comprehensive Employment and Training Act in order to better coordinate and clarify the responsibilities of these two major manpower systems.

Our position is a matter of record. In essence, it emphasizes that SESA's should serve as the presumptive deliverer of the job development and placement component of public manpower delivery systems and CETA, as Congress intended, the employability development aspects.

More particularly, employment service responsibilities would entail, in addition to job development, counseling, testing, and providing job market information and referral services. Manpower training and work experience programs should be the major concern of prime sponsors or their subcontractors.

Furthermore, we believe these two systems can be compatible and, as we have already indicated, that duplication can be minimized, and administrative

and program costs considerably reduced through clearly defined employment service and prime sponsor responsibilities and relationships.

This, we are all aware, has not happened and duplication of services under the two systems are proliferating rather than diminishing.

The passage of the Comprehensive Employment and Training Act of 1973 had a major impact on the public employment service. The Act was primarily designed to replace the training and employability development aspects of the Manpower Development and Training Act, and under the decentralization process, permit locally elected officials, as prime sponsors, to determine manpower priorities in their respective areas and to contract with State and local government and community-based organizations, schools or institutions, to provide these services. Both the law itself and the Department of Labor regulations and agreements gave the Employment Service along with other manpower related State agencies responsible roles.

We feel that CETA has expanded its role beyond the intent that Congress had in mind when the legislation was passed. Concomitantly, the Employment Service role has been diminished. Therefore, the Conference recognizes that many questions relating to the future of a comprehensive manpower delivery system for this nation need to be addressed in more depth. In order to coordinate the efforts of CETA, the Employment Service, the WIN program, vocational education, and the relationship of these organizations with community-based components who have some experience in employment and training of manpower in their respective areas, there needs to be a better definition and understanding of how to put this manpower jigsaw puzzle together. In addition, the Congress needs to examine the relationship of all jobs programs to income maintenance programs, welfare reform, and other macroeconomic policies now under consideration, to better coordinate and utilize all aspects of manpower that affect the economy.

We recognize that with such complex issues, many nurtured by years of experience, and others mandated by legislation, this task cannot be accomplished in one session of the Congress. The Interstate Conference is, and has been, studying ways and means to achieve linkages and coordination and will be prepared to submit our recommendations to this committee and others when these major problems are addressed.

In the interim, we are prepared to utilize the full capabilities of the SESA's in implementing the manpower priorities of the new administration--expanded public service jobs, jobs for veterans, and the proposed expansion of youth services. And although the Conference feels the record of productivity and efficiency of the Employment Security system in these areas has been overlooked and subsumed, we are fully committed to meet the objectives of these programs and to provide all of the resources at our command to assist the prime sponsors accomplish these national goals.

Our concerns with CETA are similar to those that have been expressed by the Congress and other groups involved in evaluating services provided by prime sponsors. They include:

(1) CETA prime sponsors have accelerated their efforts beyond the intent of Congress in direct placement activity and this duplication continues with ETA reluctant to clearly define the role of the two separate systems.

On this point, former Assistant Secretary of Labor William H. Kolberg testified before last year's subcommittee, "...As I stated at the oversight hearings on the employment security system last June, we are concerned about duplication and overlap in activites engaged in by ES agencies and CETA prime sponsors. CETA allows prime sponsors to engage in labor exchange activities, matching jobseekers with job openings, a function historically assigned to the Employment Service by the Wagner-Peyser Act. CETA also authorized prime sponsors to provide either directly or indirectly employability development activity such as intake, assessment, selection for training and employment counseling. It is important that there be close communication and exchange of resources between CETA prime sponsors and State employment security agencies to provide complementary services in local areas.

"Although the Employment and Training Administration is supposedly fostering cooperation and coordination between the ES and CETA prime sponsors, we do not feel this has been effective."

(2) We are concerned with the lack of a commonality of terms and procedures that prohibits an effective evaluation of the two systems.

Common federal definition and accounting and reporting systems would assist in program evaluation and eliminate a great deal of confusion. A revision of reporting systems that would produce more information on job retention in CETA programs, elimination of duplication of placement counts (is a "termination" of a training slot an accurate measurement of job placement?) and separation of youth and adult data are only a few of the most glaring inconsistencies in the present CETA reporting system.

(3) We are concerned with the "substitution" effects of CETA. Although some steps have been taken to correct this inequity, the fact remains that CETA will have a minimum impact on unemployment if it simply means replacing local public service workers with federally subsidized employees who would otherwise be supported with local revenues. If this is to continue CETA reverts to an income maintenance program rather than placing people into lasting jobs in the labor force.

(4) We feel the costs of the CETA program are prohibitive and in spite of inflationary costs, indirect placements and employability development could be more cost effective and steps should be initiated to more effectively pinpoint what appear to be excessive costs.

(5) We do not feel prime sponsors can, or do, react positively to federal policy and mandates.

Programs which establish national priorities for placement, skill training or retraining require an organization which has experience, coordinated programs, common standards and operations, and offices established in all major cities and localities. The public Employment Service meets these requirements. For this reason, for example, responsibility has been given to the Employment Service for the placement and training of workers displaced as a result of import competition stemming from the Trade Act of 1974. CETA programs, however, because they are locally based, concerned with local problems, and without the coordination which exists between the 2,600 local public employment offices, of necessity must establish other priorities, which make it impossible for national and State priority needs to be met.

(6) CETA, due to many factors, chiefly the recession of 1975 and continuing high unemployment, has not fulfilled its major responsibility

for determining which persons will be served among the disadvantaged, unemployed, and underemployed. The Act stresses targeting services on those most in need. The record to date does not bear out that this is being accomplished. Actually, a review of the placement record indicates that the Employment Service continues to place more lower income applicants and in a much more cost effective manner, while CETA, particularly under Title VI, is filling higher paying jobs in the public jobs sector. This dichotomy, again, was not the intent of the CETA legislation.

We feel our federal partner, ETA, has not been as decisive as is necessary to clearly define the respective objectives and the interrelationship of the Employment Service and CETA.

Policy and program emphasis we receive from the federal level are many times unclear. Policies and procedures often are mixed, are worded vaguely, and overlap or duplicate other programs with a resulting high cost. THere is unsufficient communication between the regional and national offices of the Employment and Training Administration. At times, they seem to be working at cross purposes. There is a need for a better defined, longer range national manpower goal and that need is vital to the ultimate success of the comprehensive delivery system.

It is anomalous that CETA which was enacted to simplify the manpower delivery system has, in fact, created a national manpower network which in many respects parallels the Wagner-Peyser system of State employment service agencies. What is involved is the conflict of two national systems. Here the issue is what course for Congress, the prime sponsors, and DOL, which is parent to both ES and CETA, will pursue.

In summation, until the broader and more complex issue of a national comprehensive manpower policy and delivery system can be resolved, the Interstate Conference feels that in the interim, CETA should be extended but -- we strongly agree with the recommendation of the National Employers Council in their second report and recommendations to ETA which stated that "SESAs should be the sole placement vehicle for the graduates of CETA training programs and its budgets should reflect such responsibilities."

In conclusion, we feel:

1. ES should have responsibility for the following functions thus eliminating prime sponsor duplication:
   - Job development
   - Referral to employment
   - Testing
   - Counseling
   - Labor market information
   - Computer systems
2. Prime sponsor responsibilities could entail:
   - Employability development
   - Work experience
   - Public service employment
     (ES as the referral agency)
3. Need for greater uniformity in activity reporting between CETA and SESAs for administrative and evaluation purposes. Need to tighten adequacy and to validate CETA reporting.
4. Greater SESA involvement in OJT because of its many years of experience with employers.
5. Finally, ES should be the basic intake, assessment and referral unit.

ICESA, Inc.
March 29, 1977

Gateway Projects, Inc.

240 GARDEN HIGHWAY YUBA CITY, CALIFORNIA 95991 PHONE 673-2125

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March 25, 1977

Mr. Agustis Hawkins
Chairman of the Sub-committee
on Employment Opportun ties of
the Committee on Education and Labor
House Annex, Room 619
Washington, D. C. 20510

Dear Mr. Hawkins:

I was recently informed that you had held hearings on the Comprehensive Employment and Training Act. I further understand that although these hearings ended March 16th, the record is being kept open until the end of this month to allow further public input. I am enclosing copies of two letters I wrote as Chairperson of the Vocational Forum within the California Association of Rehabilitation Facilities (Cal-ARF). This letter is being written on my own letterhead, as I am speaking for my facility rather than the State Association.

I have had handicapped individuals referred to this rehabilitation facility since 1974. It was recently determined by one of the Counties with which I deal that this was a Work Experience program, and the participants must be paid the prevailing minimum wage. As the regulations are written and published in the Federal Register, this is correct. It seems ironic, however, that it took approximately three years to read the rules.

Trainees in a rehabilitation facility are normally paid according to their productivity. This creates an incentive to become more productive and, thus, closer to competitive employment. During this vocational maturation process, many of our very special people must rely on S.S.I. in order to maintain a marginal level of subsistence. The Work Experience component of CETA is of nine month duration. The payment of minimum wage during this nine month period creates a multitude of problems. One problem is that they would earn more than $200 per month, which cancels eligibility for S.S.I. and the medical benefits. At the end of this nine month period if they stay within the facility their pay could possibly be reduced to by 50 - 70%, depending upon their productivity. This wage, of course, would not sustain even marginal subsistence. However, these very special people are now eligible once again for S.S.I. benefits. Re-establishment of these benefits, however, regardless of what the Social Security Administration says, requires a minimum of six months. Finally, during the nine month period the individual is in a Work Experience component and being paid as if he is 100% productive, when indeed, he may be 50% productive, the Work Adjustment

Agency of Yuba-Sutter United Way

Counselor, the Rehabilitation Counselor, and everyone within the facility who tries to increase productivity in order that the individual may be competitively employed is doomed to failure. Senator Humphrey has in the past introduced measures to guarantee the minimum wage to individuals in rehabilitation facilities. I would support this concept as an on going measure. The issue within CETA is the time line of the Work Experience component. The regulations defining Work Experience specifically state that waivers of minimum wages are not allowed. That seems paradoxical since this program operates under the auspices of the Department of Labor who issue to rehabilitation facilities such waivers.

A significant segment of our society both employed and unemployed are handicapped. Given this reality, it is difficult to understand why the Comprehensive Employment and Training Act and the regulations to implement this act totally ignore this segment of society. I would like to suggest another component be added to the regulations. Perhaps the title Work Exposure would be relevant. I think this additional component should specifically address itself to the handicapped and to the provision of quality rehabilitative services offered by vocational rehabilitation facilities.

The Prime Sponsors and the Balance of State Sub-grantees within California are totally fragmented. Although I believe in local control, open decision making process, and cash flow, I feel this fragmentation has in many cases resulted in a discriminatory posture towards handicapped. I feel that the handicapped are being denied equal access to employment opportunities offered by CETA. I urgently urge that this discrimination through denial of opportunities be abolished.

Thank you for this opportunity to share some of my thoughts.

Sincerely yours,

Donald J. Larson
Executive Director

DJL:eb

Enc.

CC: Howard Moes
Gerald Desmarais
Ms. Zollar
Leon Berliner
Charles Richmond

Nor-Cal Chapter Cal-A.R.F.

November 5, 1976

Resolution defining proper relationship between CETA and vocational rehabilitation facilities.

Many vocational rehabilitation facilities are encountering CETA regulations, or interpretations of regulations, which effectively eliminate participation in the program by physically or mentally impaired individuals. Vocational rehabilitation facilities have provided valued services since 1921, and approximately 24,000 disabled citizens are served annually in these centers, which generate an annual payroll approximating 50,000,000 dollars in California alone.

WHEREAS: The Federal Register Friday, June 25, 1976 #95:33 (D) (VIII) states wages shall be paid to work experience participants commensurate with such factors as the type of work performed, the geographic region of the program, and the skill proficiency of the participant. (A) In no event shall the rate be less than the federal minimum. It does not state that income generated by the participant be returned to him; and

WHEREAS: Vocational Rehabilitation facilities utilize CETA funds for staffing under the work experience component and generally employ the participant out of the general funds, it is disenchanting to see other (governmental) agencies circumvent the intent of the law and use CETA funds to augment their budgets by laying off participants after nine months and employing another group of participants for a new nine month period; and

WHEREAS: Vocational training is an integral part of the activities of vocational rehabilitation facilities and is recognized as such under the Fair Labor Standards Act of 1938, as amended, with the provision of section 14 (13) that remuneration at less than the federal minimum is allowed; and

WHEREAS: CETA is a unit within the Department of Labor; therefore be it

RESOLVED: That the CETA administration of the federal and state levels recognize the close historical relationship between rehabilitation facilities and the Department of Labor and further recognize that such centers are regulated by the Department of Labor; and be it further

RESOLVED: That the CETA administration at the federal and state level be required to comply with the entire Fair Labor Standards Act of 1938, as amended.

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Ms. Susan Grayson, Staff Director
Sub-Committee on Employment Opportunities
619 House Office Building Annex
Washington, D. C. 20515

Dear Ms. Grayson,

Since we could not appear in person before your committee, we would like to have the attached "proposed testimony" made a part of the record of the hearings.

Even though we were speaking for only one agency of the Federal Government in the testimony, the same could apply to a number of others where we are now engaged in Apprentice and Career training programs for jobs vital to the operation of the agencies. Since we are not proposing grants for my institution, we feel that we are not encouraging jobs just for the sake of temporarily reducing unemployment. The programs we are involved with are for long range manpower needs in the skills area. Many agencies have not been allowed sufficient funds to implement efficient apprentice programs in the past, and the work of your committee could correct this.

My organization is only one of the many training facilities available to the agencies, so any funds made available would not necessarily go to us, but would be used for the upgrading of the efficiency of employees of the agencies involved.

We do not limit our activities to Government agencies. In fact, most of our programs are with Industry, so the same help may be provided there, too, to the advantage of all of us.

Thank you for your help in getting this into the record.

Sincerely,

T. E. Wells

T. E. Wells

Sub-Committee on Employment Opportunity
619 House Office Building Annex

PROPOSED TESTIMONY BEFORE THE COMMITTEE

Mr. Chairman, my name is TRAVIS E. WELLS and I am speaking mainly on behalf of one of my clients. To assist in President Carter's Emergency Stimulus Proposal, especially in reaching fuller employment by putting people to work, my client would like to help by:

1. IMMEDIATELY BEGIN PLACING AND TRAINING 5,000 APPRENTICES FOR PERMANENT JOBS, and then continue to place and train about 1,000 or more per year to compensate for an attrition rate of 7% expected to continue until 1982, due to retirements and other factors.

2. PLACE THE APPRENTICES IN A GOING PROGRAM THAT URGENTLY NEEDS EXPANDING. He is now training apprentices in nine trades, with nine more planned for the immediate future and more as required.

3. The Program is already REGISTERED WITH THE BUREAU OF APPRENTICESHIP AND TRAINING, U. S. DEPARTMENT OF LABOR, AND ALSO WITH THE VETERANS ADMINISTRATION.

4. VIET NAM VETERANS are especially wanted for the program. The top age for entry into these apprenticeships has already been raised to age 35, which should cover all or most of the veterans who entered service at the time of the Viet Nam conflict.

5. There will be NO PLANNING OR DEVELOPMENT COST, because the program is operational and has been for about a year. A Prime Contractor handling the Related Training for this program has been in business for over 80 years, and has the resources to handle a rapid increase in number of students. This would mean NO DELAY in the program as present systems are geared to handle a continuous flow of apprentices without the need to wait for classes to be formed.

6. This program is vital to the INTERESTS OF THE UNITED STATES as it already is meeting some of the goals of the Office of Management and Budget to INCREASE the EFFICIENCY of the "Blue Collar Workers" in the Federal Service.

Mr. Chairman, this testimony concerns the program now in operation with the Facilities Engineering Command of the United States Army. Through Apprenticeships, this program is aimed at meeting manpower requirements for maintaining and improving the facilities of the Army bases in this country and abroad. Well trained Journeymen are to the best interests of the United States because they save money and tend to be permanently employed not only in Federal Service but in Industry as well.

The man in charge of this program for the Chief of Engineers is:

Mr. Laurence F. Blodgett, Chief Management Branch
Office of Chief of Engineers
DAEN - FEM - M
Room 1-G-083, Forrestal Bldg
Washington, D. C. 20314 Phone: 202-693-7420

He is willing to add to this testimony, if need be.

This is but one agency of the Federal Government that can provide needed jobs, but the same types of programs can be used, and are being used, in other agencies of the Federal Government where skills need developing, and also at the State and Municipal level.

Help in funding these needed programs will make permanent jobs for the participants instead of stop-gap, make-work programs of a temporary nature.
Thank you.

T. E. Wells

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April 13, 1977

Hon. Augustus F. Hawkins
U. S. Congress, House of Representatives
2350 Rayburn Building
Washington, D.C. 20515

Dear Mr. Hawkins:

In accordance with your suggestion in your letter of March 22 responding to my request for an opportunity to testify on H.R.50, I enclose copy of my written comments on the Full Employment and Balanced Growth Act of 1977.

Sincerely,

John H. G. Pierson

STATEMENT FOR* THE
SUBCOMMITTEE ON EMPLOYMENT OPPORTUNITIES
OF THE
COMMITTEE ON EDUCATION AND LABOR,
U. S. HOUSE OF REPRESENTATIVES

John H. G. Pierson
Economist, Author of Full-Employment Studies

April 18, 1977

Mr. Chairman and Members of the Committee:

I appreciate very much the opportunity to testify before this Committee on H.R.50/S.50, the Full Employment and Balanced Growth Act of 1977. This is a landmark bill. I wish to urge its enactment and suggest certain amendments to facilitate that and increase its effectiveness once enacted.

It would be almost impossible to overstate the importance of the core idea in this bill, that every American who wants a useful job should always be able to find one and receive fair pay for doing it. This touches the very heart of our country's basic philosophy. The pursuit of happiness is virtually out of the question for most people if they don't have a real chance to work.

The bill presents a number of other good reasons why full employment should be permanently maintained in America, and involuntary unemployment permanently banned. I want to cite two additional reasons. First, not only do recessions and the fear of recessions make equal employment opportunity almost unattainable, as this draft says, but they often impel powerful organizations in business, labor, and agriculture to push their financial claims too vigorously, so that special interests find themselves in conflict with the general interest.

Second, recessions also heighten the pressure to adopt restrictive foreign-trade measures. And these measures, while they may in some cases produce a net gain in domestic jobs, undermine the larger national interest by sacrificing vital opportunities for international cooperation.

In terms of dynamics, these two bad effects of our economic instability - both of them easily observable today - are among the strongest arguments for adopting this bill that could be found. Of course, they can be stated positively instead, to make them more palatable. By assuring the maintenance of prosperity and full employment we can create conditions for a more cooperative, public-spirited approach to our common domestic problems. And by not having to rely for that assurance on export surpluses, we can set the stage for building the kinds of relations that will serve us best abroad.

Although my main concern here, Mr. Chairman, will be with trying to improve this bill further, I do want first to mention some of its many excel-

* Prepared as testimony but submitted in writing in view of the tightness of the hearings schedule - JHGP.

cellent features. One of them is its firm emphasis on nondiscrimination. Another is its pioneering effort to provide for a continuing assessment of national priorities, tied in with a kind of long-range planning that will help the country without hurting individual enterprise. A third is the attention it gives to the regional and structural aspects of unemployment.

The bill is also very helpful in emphasizing that our income maintenance programs should be integrated with our full-employment policies. Obviously valuable too are the latest drafting changes that sharpen the working definition of full employment and the intended target and timetable. These particular clarifications, taken in conjunction with the proposed permanent, comprehensive youth employment program, should remove some honest doubts that constructive critics had previously expressed.

Finally, I believe that the rules for Congressional action on the President's annual economic recommendations, including rules to govern the Joint Economic Committee's preparation of a concurrent resolution with assistance from a new Division of Full Employment and Balanced Growth in the Congressional Budget Office, come close to creating a practical operating set-up.

* * *

Now I turn to my suggested amendments. First and foremost, I urge that the language be clarified to indicate that, under this law, full employment would be not just a goal - surely, it has been a goal for a long time! - but an actual promise to the American people.

I use the word "clarify" advisedly. The bill's position on this cardinal point is not clear now. There are passages where one senses that what is intended is a promise - and, personally, that is what I believe the sponsors would prefer if a practical way can be found. On the other hand, in many other places the bill seems to settle for naming a high goal but not undertaking any firm commitment to achieve it.

Examples of this ambiguity could be spelled out at considerable length if time permitted, but I will only summarize. In the Declaration of Policy (both (a) and (b) of an amended Section 2 of the Employment Act of 1946); in Section 108, on the duties of the Council of Economic Advisers; and in 206(d), on the reservoirs of last-resort employment projects - here we find language that seems at first glance to convey a promise.

But elsewhere - in sections 2(c), 106, 202(b)(1), and 202(b)(2)(H), for example - we keep bumping up against the idea of "high unemployment due to recessions," "cyclical movements in the economy," and "periods of substantial economic slack." Here, in passages like these, we are not just being reminded that we have a long way to go from present unemployment up to full employment. No, what these phrases tell us is that the employment goals are not expected to be realized fully even when that interim period is over.

What is one to think? How is this ambiguity to be clarified?

Obviously the drafters of this law will be obliged in the end to do one of two very different things: either get rid of the pessimistic clauses

that imply a continuation of business cycles as usual, or else tone the language down wherever it seems to suggest a promise.

Historically we have taken the latter course. I well remember what happened to the proposal to "assure ... continuing full employment" that was in the bill that became the Employment Act of 1946. After various vicissitudes and re-drafts it was found at one point that the policy statement, being still keyed to the idea of the right to work, was too vigorous for the watered-down operative clauses. So Congress clarified the intention by toning down the policy statement.

Mr. Chairman, I believe it is a matter of the utmost importance that now, on this second time around, the opposite course be taken. I respectfully suggest to this Committee that the thing for Congress to do is not tone down once again the clauses that sound like a promise but rather tone up the bill wherever it now seems to be talking about an unattainable goal.

I am entirely aware of a belief in some quarters that anyone asking for a real promise of full employment is well-intentioned perhaps but certainly impractical. It would of course be nice, say some of those people, to have the bill even stronger than it is - to have it actually embody "economic performance insurance" - but the bill's sponsors are up against enough opposition already and cannot afford any more. The clear premise in this kind of thinking is that strengthening the bill would automatically strengthen the opposition to it as well.

That premise will not stand up. How many of those same people, one wonders, feel the slightest surprise if they read of some new man-made material that is stronger than steel but lighter? Or were they ever skeptical when they heard that the latest generation of computers could handle more work than the previous generation even though smaller? It would seem that only in a field like political economy is it unthinkable to them for a new approach to be more effective and more widely acceptable both at once.

But in fact this is just what a new approach could be. I am sure that the Full Employment and Balanced Growth Act can be amended to have it actually promise full employment and yet be more widely approved (and textually simpler too) than it is now.

In various sections of the bill - most importantly 103 and 303, dealing respectively with the President's recommendations in his annual Economic Report and the Congressional review of those recommendations - the present draft calls for setting "annual numerical goals for employment, production, and purchasing power." This represents a great advance over past practice but is still not adequate. What is needed to make it adequate is the insertion, after that phrase, of the following additional words: "including the minimum and maximum levels of employment and consumer spending regarded as acceptable."

(I do not suggest setting minimum and maximum levels of production, the other item in that familiar sequence carried over from the 1946 law. Specific levels cannot be promised for all three magnitudes simultaneously, and in any case production, or its rate of growth, only needs to be still a goal.)

4.

What my proposal would accomplish would be to have the President, and then in the last analysis Congress, assume responsibility for setting lower and upper limits to total employment (or civilian employment, or it could at first be the employment of civilians 20 years of age or more, whichever statistical target was preferred) and to total personal consumption expenditures as well. I mean that the final decisions arrived at after Congressional review would represent a real commitment to the country - a commitment that the stated limits would be defended by varying the last-resort job programs and the designated tax-and-transfer-payment rates up or down as needed.

This should be perfectly workable. To avoid undesirable rigidity, the spread between bottom and top limits could be as wide as was felt to be necessary. To avoid having the execution of the policy upset by leads and lags and occasional erratic movements of statistical indicators, it could be agreed that employment, or consumer spending, might without prejudice sometimes stray outside the "acceptable" band for brief periods while corrective action was taking effect.

But, with those minor qualifications, this proposal would definitely hold employment at the intended levels, during the transition stages up to full employment as well as afterwards. In other words, the attainment and the subsequent maintenance of full employment, as defined in quantitative terms in advance, would be a promise and not just a goal, and the text of the bill could be altered wherever necessary to reflect that critical difference. In the Declaration of Policy, for instance, the conditions to be fostered would not merely "promote balanced growth and useful employment opportunities" but rather "promote balanced growth and assure useful employment opportunities" - one important word added.

And yet - here is the other half of my point - this stronger wording would surely heighten the positive appeal of the bill and leave less room for opposition. There are several reasons for this. The first is that the establishment of a framework and procedures to assure continuous full-employment prosperity in future would in itself create much of the confidence that producers and consumers need. Investment would be stimulated. Our economy would arrive at full employment more quickly and stay there more easily.

Secondly, that confidence would be further strengthened because there would be a much greater prospect of achieving the anti-inflation goal. The concept of a trade-off between inflation and unemployment would be simply irrelevant here. On the demand side of the picture, the proposal would minimize the risk of inflationary spirals by setting top limits to employment and consumer spending, not bottom limits alone.

Meanwhile on the supply side, it would help hold costs down by eliminating the need for management and labor to build up various sorts of expensive cushions against recessions. On top of that, the Federal Government's assumption of due economic responsibility would create a moral climate in which there would be unprecedented opportunity for avoiding excessive price and wage increases on a cooperative, voluntary basis.

Thirdly, this approach would specifically assure the country that the maintenance of full employment would not be accomplished at the private

sector's expense. Section 102 now guarantees that the Act will not change historic ratios of private to public civilian employment, let alone lead to governmental control over private production. To include such reassurances is very likely a good idea, and it may sound well too when Section 206(d), for example, reiterates that private job opportunities "are the first and major purpose of this Act." But when it comes to fulfilling this aim and at the same time really maintaining full employment, nothing could be more effective - because nothing would improve the "economic environment" in a more practical way, or in other words be more genuinely reassuring to private enterprise - than a straight guarantee that the overall demand for the products of private enterprise will always be adequately high.

I will conclude on this proposal by pointing out that there is no conflict between it and the spirit of the present bill. Quite to the contrary. The Declaration of Policy calls for " expansion of conventional private jobs through improved use of fiscal and monetary policies and other policies." (My emphasis, as also just below.) Section 202(b) requires the President within ninety days after enactment to send the Congress a comprehensive proposal, with legislation, to "establish on a permanent basis the range of supplementary employment policies and programs necessary." And the next subsection, (c), goes on to state that the President's proposal shall "provide for an automatic trigger or set of coordinated triggers that would implement ... and phase out the program."

This language would certainly permit a later consideration of the very suggestion I am making here. But if that is the case and if the idea is a good one, why wait? I respectfully ask why the Congress should not do what is necessary now, in its own bill, rather than depend on receiving exactly the right message from the White House ninety days after the law is enacted.

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I can be briefer in presenting my two other amendments for strengthening this bill.

One is concerned with meshing the operations under this bill with those under the Congressional Budget Act of 1974. Legislation to assure full employment should obviously not contravene the essential purpose of the hard-won Congressional Budget Act, which is to enable the Congress to take orderly, responsible action in controlling Federal budget receipts and expenditures. Neither should the latter Act be capable of being so construed as to deny the assurance of full employment. The two aims are complementary, not antagonistic.

H.R.50/S.50 as now drafted takes a good step forward by calling for amendments to the Congressional Budget Act that would incorporate the "numerical goals for employment, production, and purchasing power" in the annual concurrent resolutions on the Budget. For reasons partly but not entirely explained already, however, this wording does not go quite far enough.

To complete the explanation - the annual budget resolutions should be clear about permitting advance approval by the Congress of certain contingent changes in the agreed-upon totals of Federal expenditures and receipts. Not any and all manner of changes, of course, since that could largely defeat the

main aim of the law, but those occasioned by last-resort actions that may later be shown to be necessary to honor the full-employment commitments. In other words, changes that will result from the mandatory activation of designated standby measures if, in the course of the year, the designated employment and consumer spending series show that such activation is needed.

The way this point could be met would be by rephrasing the amendment that Section 303 now seeks to introduce into the Budget Act. First, Section 301(a) of the Budget Act would be amended a little differently than is now proposed. (I have some suggested wording here* but won't read it out because the points are mostly secondary and are hard to follow besides unless one has both texts handy.) Then - and this is the heart of the matter - a new 301(b) would be inserted in the Budget Act (with present 301(b) becoming 301(c)), this new subsection to read more or less as follows:

> "(b) CONTINGENT MODIFICATION OF BUDGET OUTLAY AND REVENUE TOTALS. - The concurrent resolution shall indicate that the necessity to hold total employment and total consumer spending within their limits as given under (a)(6) above is paramount, and that the levels of budget outlays and Federal revenues referred to in (a)(1) and (a)(4) are subject to upward or downward adjustment if that proves necessary to keep those limits from being transgressed."

* * *

The final amendment I am proposing relates to 304(f), at the end of the section concerned with Congressional review of the annual full employment and balanced growth plans.

Probably the greatest single weakness in the Employment Act of 1946 is that it gives the Congress no opportunity and no responsibility for concerted, conclusive action on the President's annual economic report, and so leaves the really critical questions without final answers. Here again H.R.50/S.50 in its present wording goes a long way toward correcting the fault. But again, in my estimation, it fails to go far enough.

According to Section 304(f), once the annual concurrent resolution on the Plan has been adopted, Congress is to transmit a copy of it "to the President ... for such actions as the President deems appropriate." In the matter of assuring full employment - which should be, and I assume is intended to be, covered here too, along with the less quantitative aim of

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* The wording might be:

"(b) Section 301(a) of the Congressional Budget Act of 1974 is amended -
(1) by inserting ', subject to contingencies specified in (b) below,' after 'appropriate level' in clause (1) and again after 'recommended level' in clause (4);
(2) by striking out ', for contingencies,' in clause (2); and
(3) by inserting after clause (5) (and consequently redesignating present clause (6)) the following new clause:
'(6) numerical lower and upper limits for total employment and total consumer spending; and'."

achieving balanced growth - this is really insufficient. What I suggest is that the final sentence of this subsection, containing those words, should be re-drafted at slightly greater length to read more or less as follows:

> "A copy of the concurrent resolution shall be transmitted to the President by the Clerk of the House of Representatives or the Secretary of the Senate, as appropriate, so as to indicate the action (including the use of standby measures if necessary) that the President is requested to take to maintain total employment and total consumer spending within their respective limits as approved by the Congress, and for such other actions as the President deems appropriate."

The purpose of this rewording is to make clear the intention of this legislation that the annual economic exercise as a whole must arrive at definite, action-shaping conclusions on the essential points, and that the Congress should play a major part in defining those conclusions.

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